

Investor Presentation

9M 2017 Results

Hamburg, 14 November 2017



Disclaimer

Forward-looking statements

This presentation contains forward-looking statements that involve a number of risks and uncertainties. Such statements are based on a number of assumptions, estimates, projections or plans that are inherently subject to significant risks, as well as uncertainties and contingencies that are subject to change. Actual results can differ materially from those anticipated in the Company's forward-looking statements as a result of a variety of factors, many of which are beyond the control of the Company, including those set forth from time to time in the Company's press releases and reports and those set forth from time to time in the Company's analyst calls and discussions. We do not assume any obligation to update the forward-looking statements contained in this presentation.

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UASC's Ltd. and its subsidiaries have been included in the figures from the date control was transferred on 24 May 2017. The key figures used are therefore only comparable with the previous year to a limited extent.



Opening remarks

01 Deliverables

- We continued to deliver on our initiatives (UASC integration, cash capital increase & continuous cost control)
- Substantially improved positive operating result of USD 299 m in 9M 2017

02 UASC Integration

- Integration of the operational business of UASC successfully concluded in only five months after Closing
- Synergies of USD 435 m confirmed – high ramp up in 2018 expected

03 Sector Update

- Sector fundamentals remain favourable
- Orderbook remains at low level despite recent new orders

04 Financials

- Significantly improved EBITDA of USD 808 m in 9M 2017 (USD 415 m in Q3 2017)
- Integration of UASC generated one-off costs of USD 82 m in 9M 2017 (net of USD 52m goodwill)

05 Way Forward

- Main focus going forward is to realise the synergies of the UASC integration and further cost optimization
- Substantial deleveraging from 2018 onwards

Strategic highlights:

We achieved major progress on our initiatives...



UASC Integration

The **merger with UASC** was successfully completed on 24 May 2017 and has strengthened Hapag-Lloyd's competitive position substantially:

- **Strengthened market position** as one of the **Top 5 players** in the industry
- **Solid position in all trades** and an enhanced market presence in the attractive Middle East trade
- **Efficient and young fleet** with a **low level investment** needed in the future
- **Annual synergies of USD 435 m** fully starting in 2019, significant ramp up already in 2017 & 2018

The **operative integration is progressing very well** and is close to completion (commercial cut-over after only 5 months)



Financial Position

We have continued to strengthen our capital structure:

- **Issuance of EUR 450 m bond** with a maturity of seven years and a coupon of 5.125%
 - Issue proceeds were used for the early repayment of existing 7.75% and 7.50% EUR bonds which were to fall due in 2018 and 2019
- **Capital Increase of USD 413.4 m** through the issue of 11,717,353 new no-par value shares shortly after balance sheet date, with positive impact on relevant balance sheet ratios

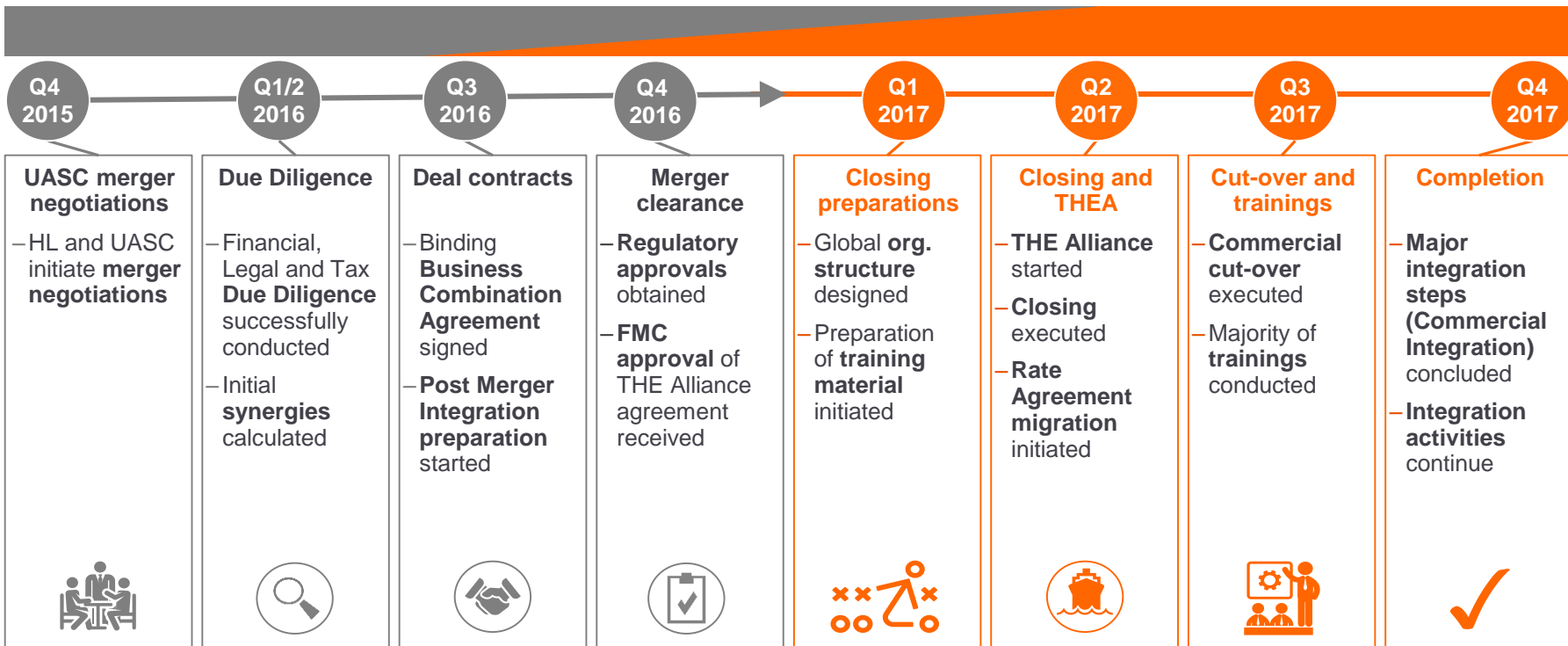
After the consolidation of the UASC container shipping activities **Hapag-Lloyd does not plan further investments in new vessels**

Financial highlights: ...and delivered a clearly improved operating result in 9M 2017

<p>Transport volume</p> <p>+24.4%</p> <p>9M 2017: 7,029 TTEU</p>	<p>Freight rate</p> <p>+2.2%</p> <p>9M 2017: 1,060 USD/TEU</p>	<p>Transport expenses per TEU</p> <p>-0.2%</p> <p>9M 2017: 939 USD/TEU</p>
<p>EBIT</p> <p>USD 299 m</p> <p>3.7% EBIT margin</p> <p><i>Q3 EBIT: USD 202 m</i></p>	<p>EBITDA</p> <p>USD 808 m</p> <p>9.9% EBITDA margin</p> <p><i>Q3 EBITDA: USD 415 m</i></p>	<p>Group profit / loss</p> <p>USD 8 m</p> <p>2.6% ROIC annualized</p> <p><i>Q3 Group profit: USD 56 m</i></p>
<p>Equity</p> <p>USD 6.8 bn</p> <p>Increased equity</p>	<p>Liquidity reserve</p> <p>USD 1.9 bn</p> <p>Solid liquidity reserve</p>	<p>Net debt</p> <p>USD 7.3 bn</p> <p>Consolidated financial position</p>

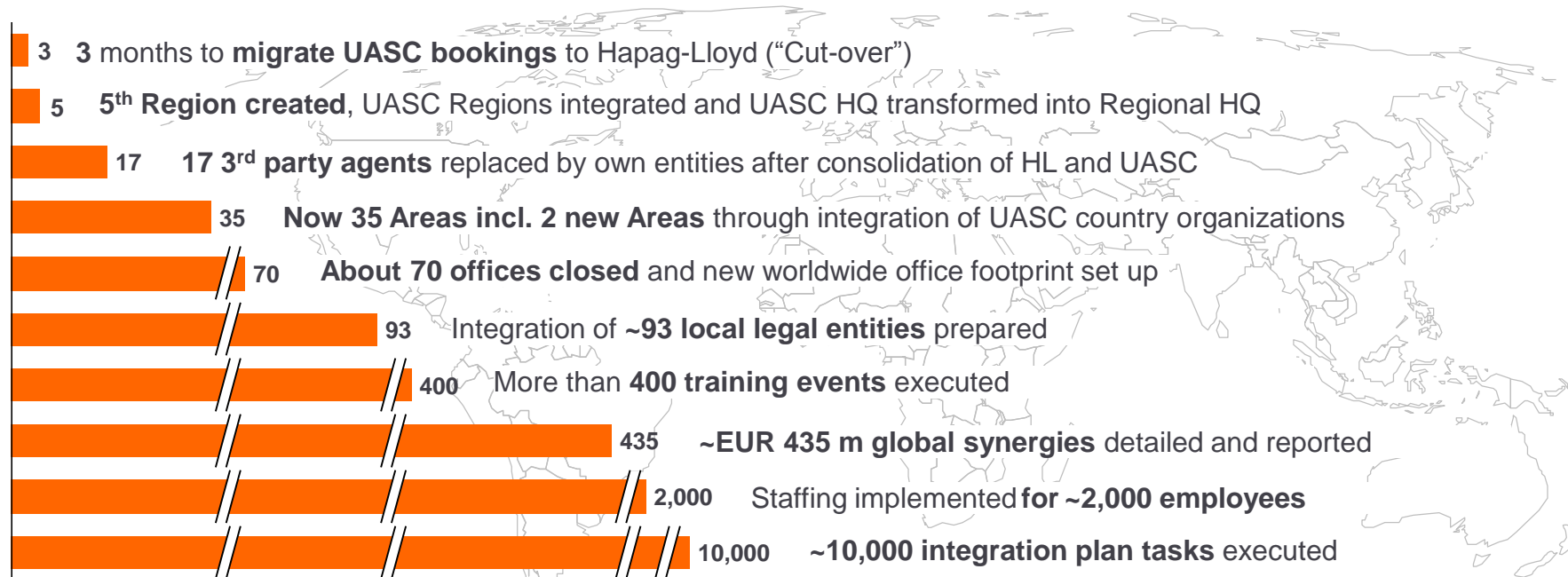
Integration of UASC well on track – Commercial cut-over achieved only five months after Closing

Timeline of UASC merger and integration

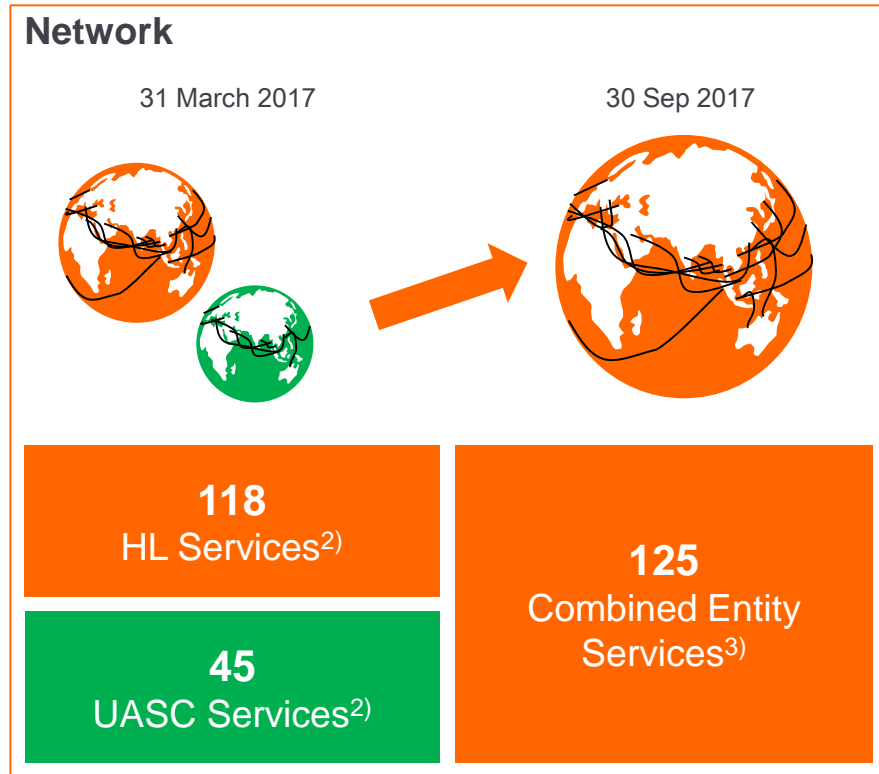
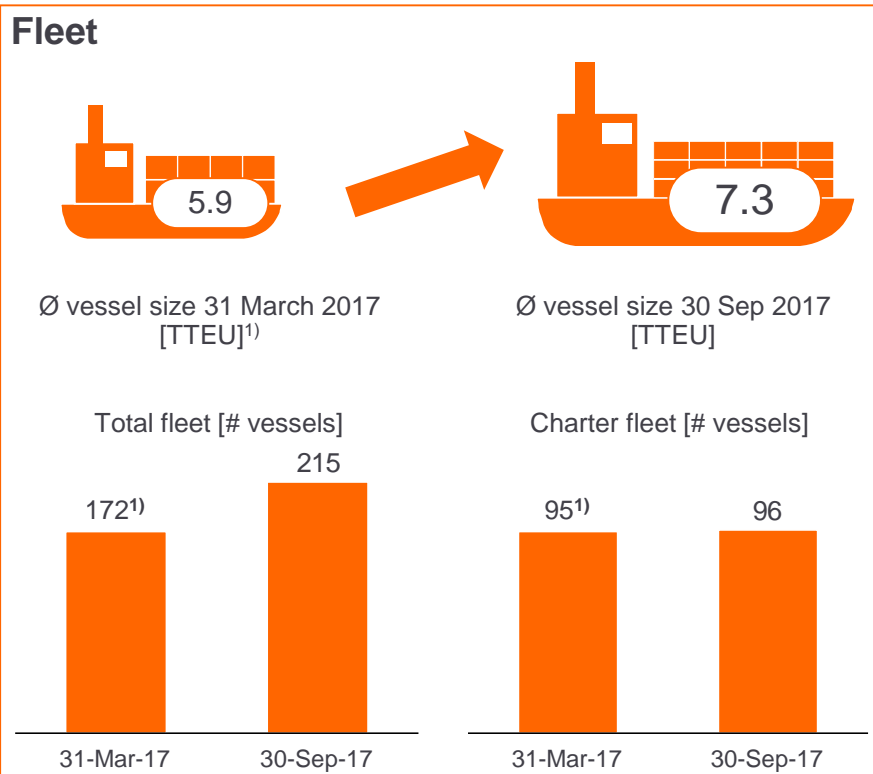


Since Closing, we successfully integrated the UASC business and staff and have strengthened our position amongst the TOP 5 carriers

Integration facts and figures



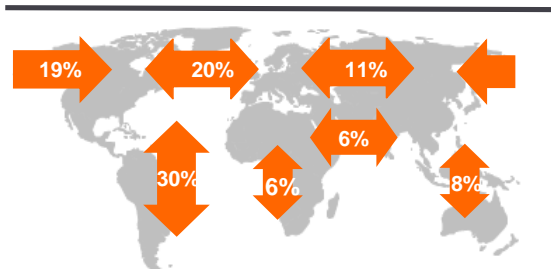
Network optimization ongoing – Fleet and Network optimization as key contributor to synergies



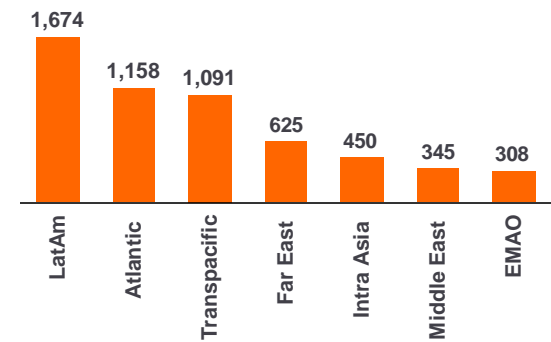
Trade portfolio optimization – Enhanced market presence in attractive Middle East trade and solid position in all other trades

Transport volume by trade

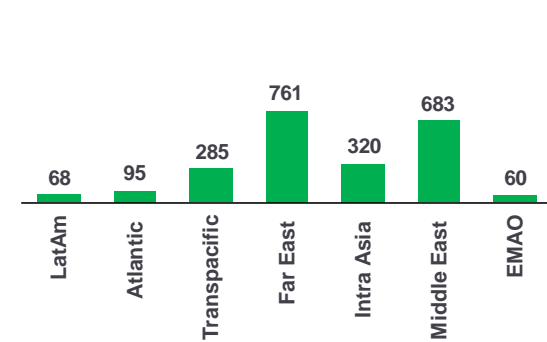
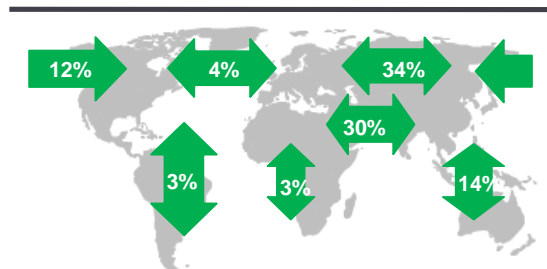
Hapag-Lloyd 9M 2016



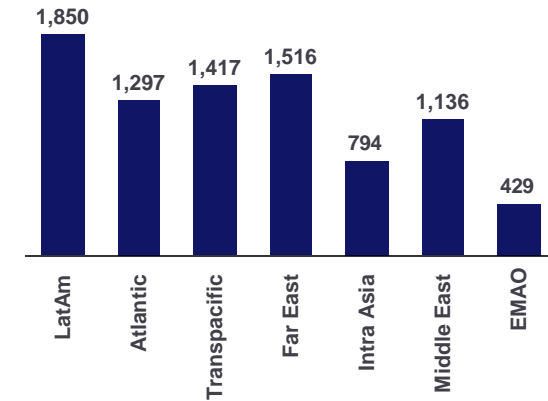
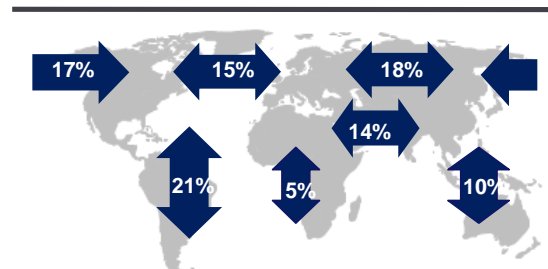
[in TTEU]



UASC 9M 2016¹⁾



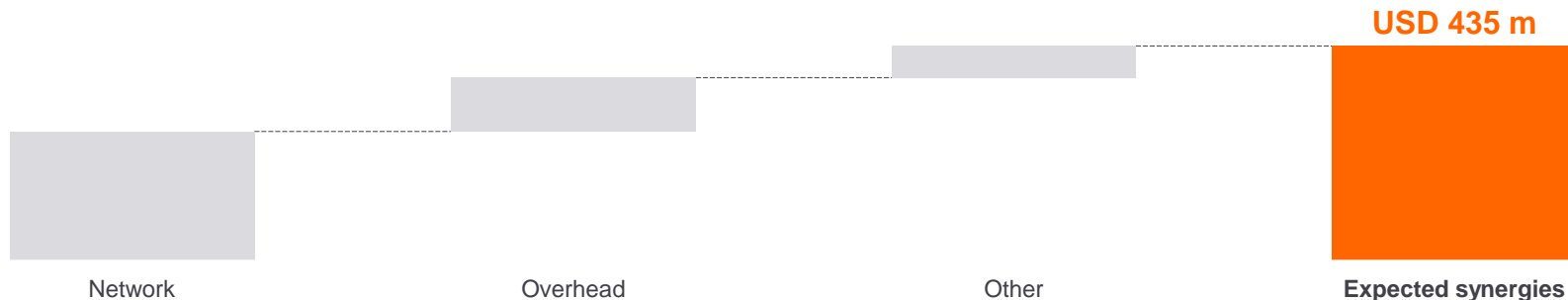
Combined Entity 9M 2017



1) Pro forma, UASC historic data allocated according to HL trade definition
Note: Rounding differences may occur.

Total synergies of USD 435 m p.a. to be achieved from 2019 onwards – Significant synergy ramp-up in 2018 expected

Synergy potential, full run-rate [USD m]



Total transaction and integration related one-off costs are expected to amount to USD 130 m¹⁾

Synergies

Network

- Optimized new vessel deployment/network
- Slot cost advantages
- Efficient use of new fleet

Overhead

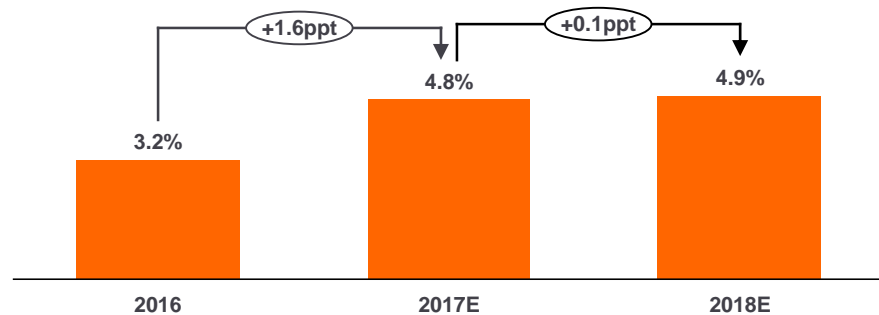
- Consolidation of Corp. and Regional HQs
- Consolidation of country organizations
- Other overhead reductions (e.g. marketing, consultancy, audit)

Other (terminals, equipment and intermodal)

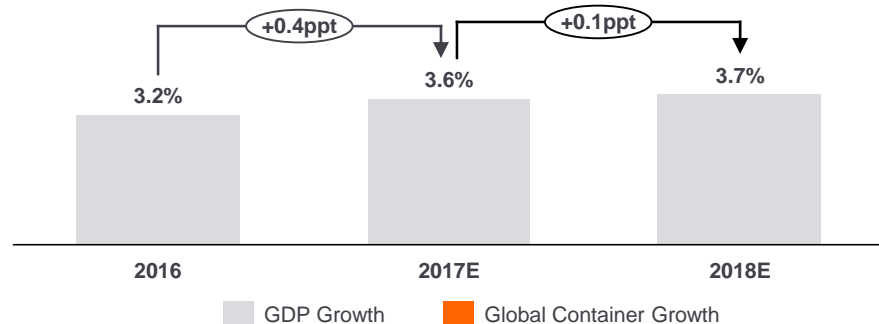
- Lower container handling rates per vendor/location
- Imbalance reduction and leasing costs optimization
- Optimization of inland haulage network
- Best practice sharing

Demand: Strong GDP and volume growth leads to gradually increasing freight rates

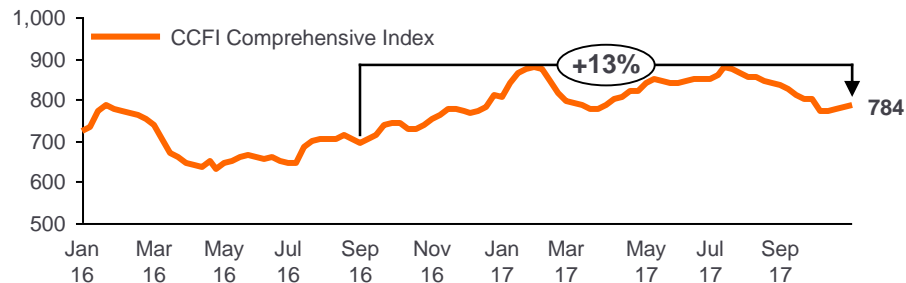
Global Container Trade Growth [%]



GDP Growth [%]



CCFI Development



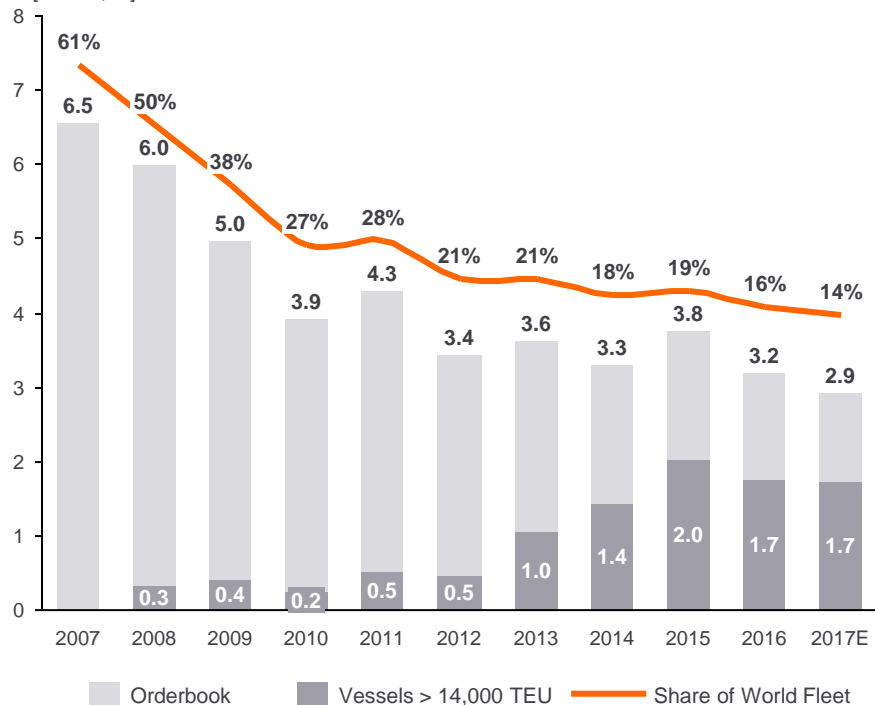
Comments

- IHS Global Insight expects the global container shipping volume to increase by 4.8% in 2017, outpacing the forecast rate of growth for global trade
- For 2018 to 2021 IHS is predicting annual growth of between 4.8% and 5.1%

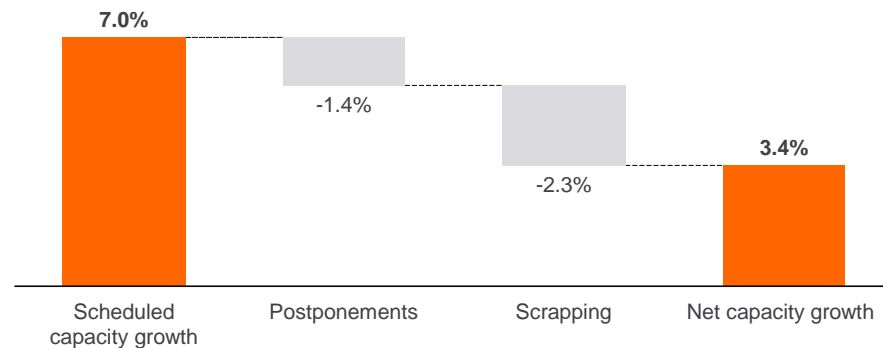
Supply: Consolidation leads to structurally lower orderbook, reflecting a more disciplined market environment

Orderbook-to-fleet

[TEU m, %]



Net capacity growth 2017E



Comments

- The Orderbook-to-fleet ratio remains well below its peak of approximately 61% in 2007 (recently placed new orders included)
- Based on the container ships on order and planned deliveries, the globally available transport capacity should see increases of around 1.1 million TEU in 2017 and around 1.3 million TEU in 2018
- Supply/Demand expected to further balance from 2018 onwards due to strong overall demand

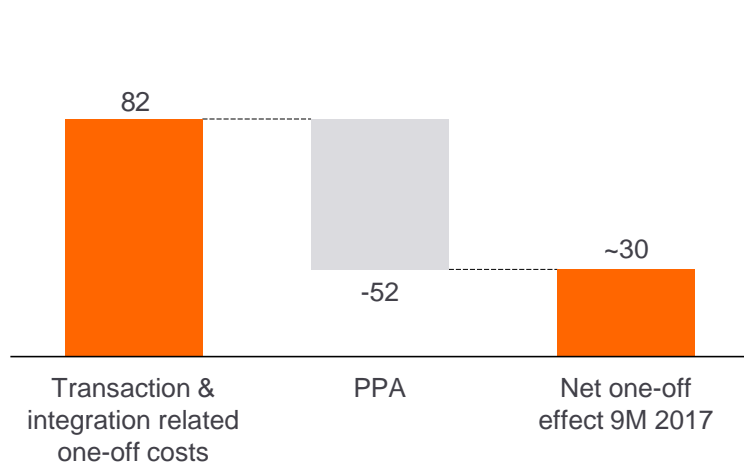
EBITDA of USD 808 m in 9M 2017 – Operating result significantly above previous year's level

Operational KPIs	Q3 2017	Q3 2016	YoY	9M 2017	9M 2016	YoY
Transport volume [TTEU]	2,808	1,947	44%	7,029	5,650	24%
Freight rate [USD/TEU]	1,065	1,027	4%	1,060	1,037	2%
Bunker price [USD/t ¹⁾	308	238	29%	311	212	47%
Exchange rate [USD/EUR]	1.18	1.12	n.m.	1.11	1.11	n.m.
Revenue [USD m]	3,268	2,152	52%	8,168	6,364	28%
EBITDA [USD m]	415	206	101%	808	425	90%
<i>EBITDA margin</i>	12.7%	9.6%	+3.1 ppt	9.9%	6.7%	+3.2 ppt
EBIT [USD m]	202	73	177%	299	29	931%
<i>EBIT margin</i>	6.2%	3.4%	+2.8 ppt	3.7%	0.5%	+3.2 ppt
Group profit / loss [USD m]	56	9	522%	8	-149	105%
<i>ROIC [Annualized in %]</i>	5.5%	3.1%	+2.4 ppt	2.6%	0.2%	+2.4 ppt

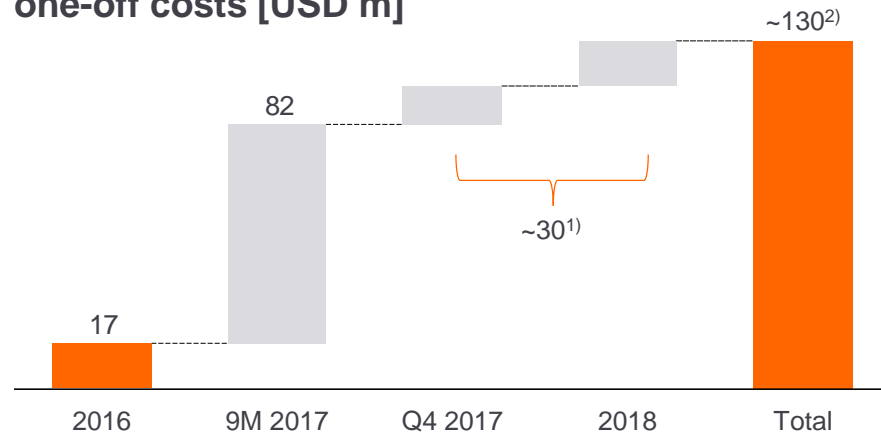
Note: USD figures as stated in Investor Report 9M 2017;
1) Mixed bunker price (MFO / MDO)

9M result incl. one-off effects related to first-time consolidation and integration of UASC – Total one-off costs estimated at USD 130 m

Transaction & integration related one-off costs [USD m] 9M 2017



Total transaction & integration related one-off costs [USD m]

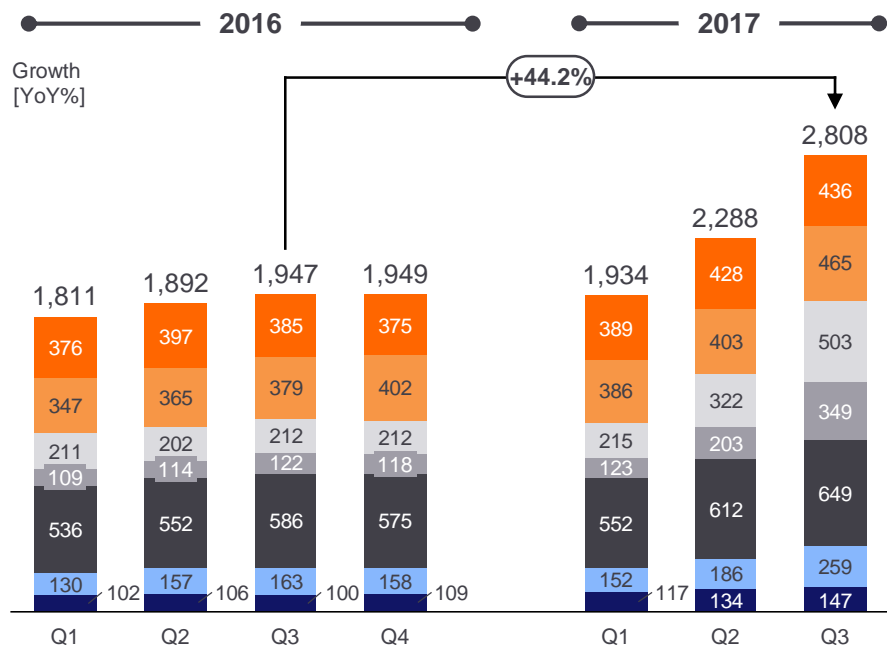


Comments

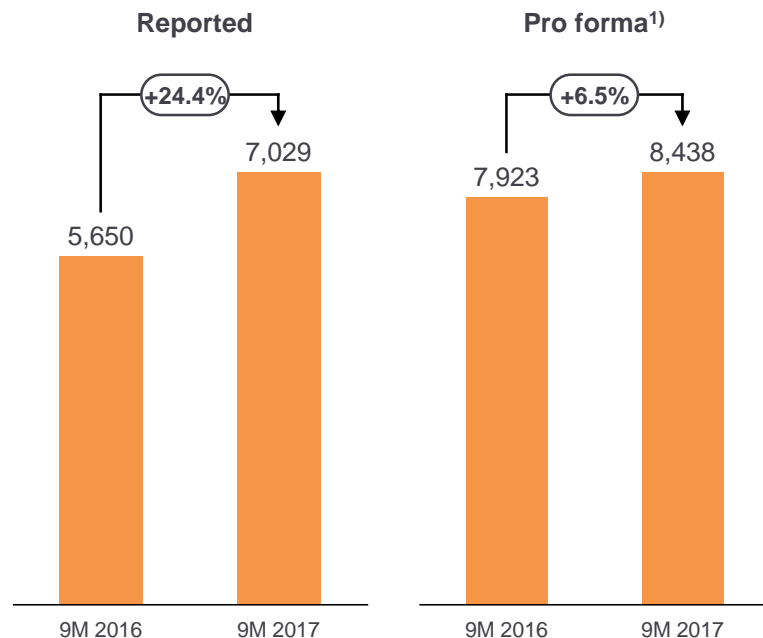
- In 9M 2017 first time consolidation of UASC generated one-off income of USD 52.3 m (badwill) and restructuring cost of USD 82 m
- **Net one-off effect** on 9M 2017 EBIT of **USD ~30 m**
- **One-off costs amounted to USD ~10 m in Q3 2017**
- **Further one-off costs of USD ~30 m will occur**

Strong increase in transport volume of 24.4% YoY in 9M 2017 – Pro forma volume increased by 6.5% YoY

Transport volume per trade [TTEU]



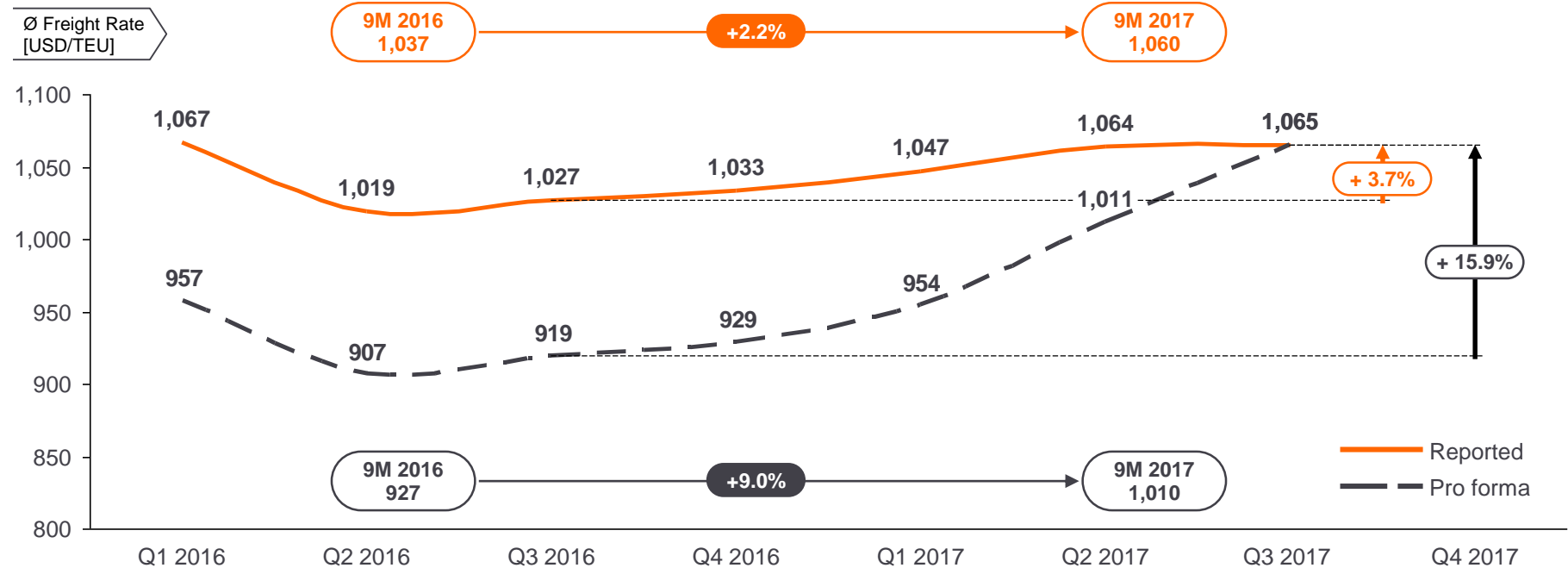
Transport volume [TTEU]



Atlantic Transpacific Far East Middle East Latin America Intra Asia EMAO

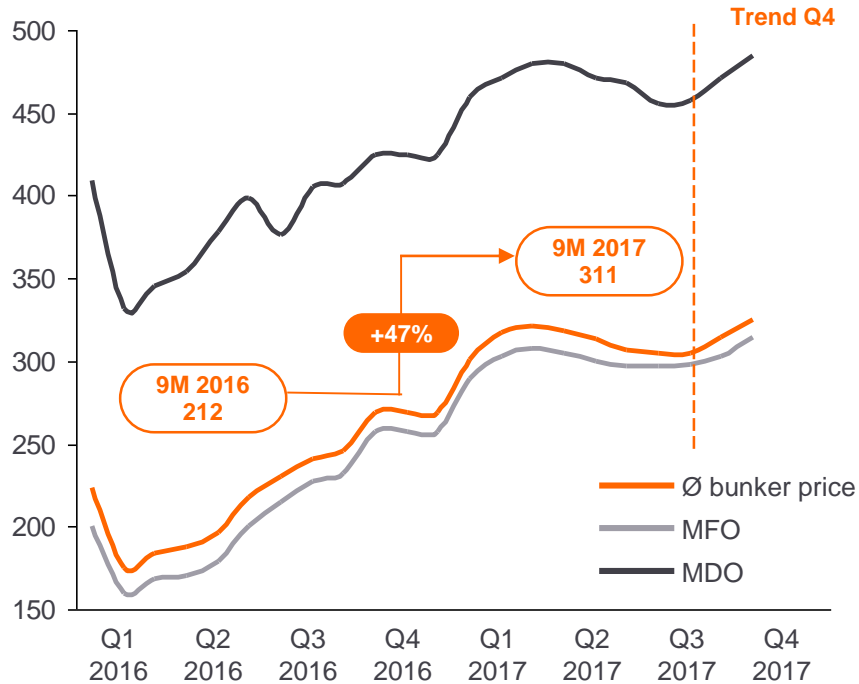
Pro forma freight rates significantly up 15.9% YoY in Q3 2017 – despite the merger effect, reported rates have increased 3.7% YoY

Freight rate development Hapag-Lloyd reported vs. Combined Entity Pro forma¹⁾ [USD/TEU]

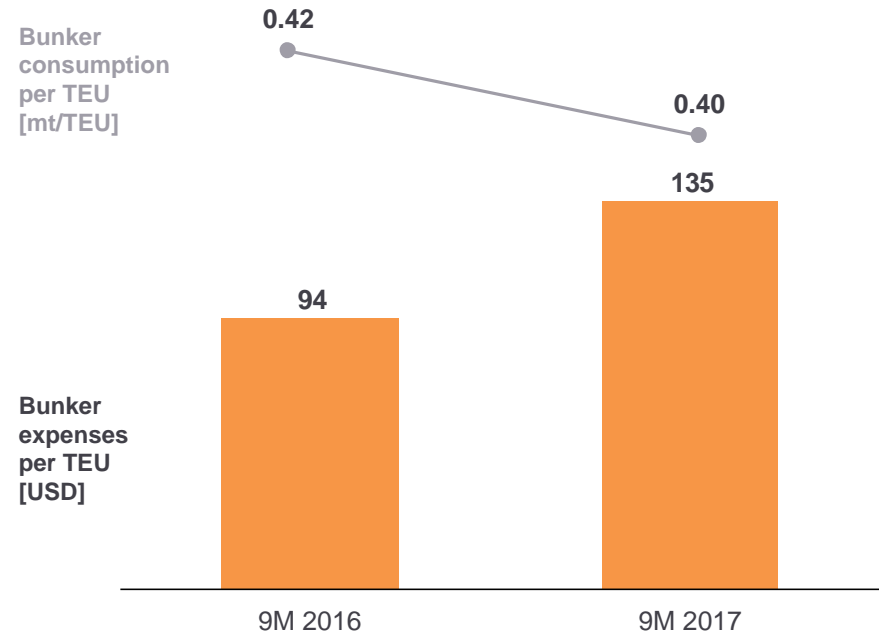


Hapag-Lloyd benefits from optimized bunker consumption, but substantial increase in bunker price harms P&L

Bunker consumption price [USD/mt]

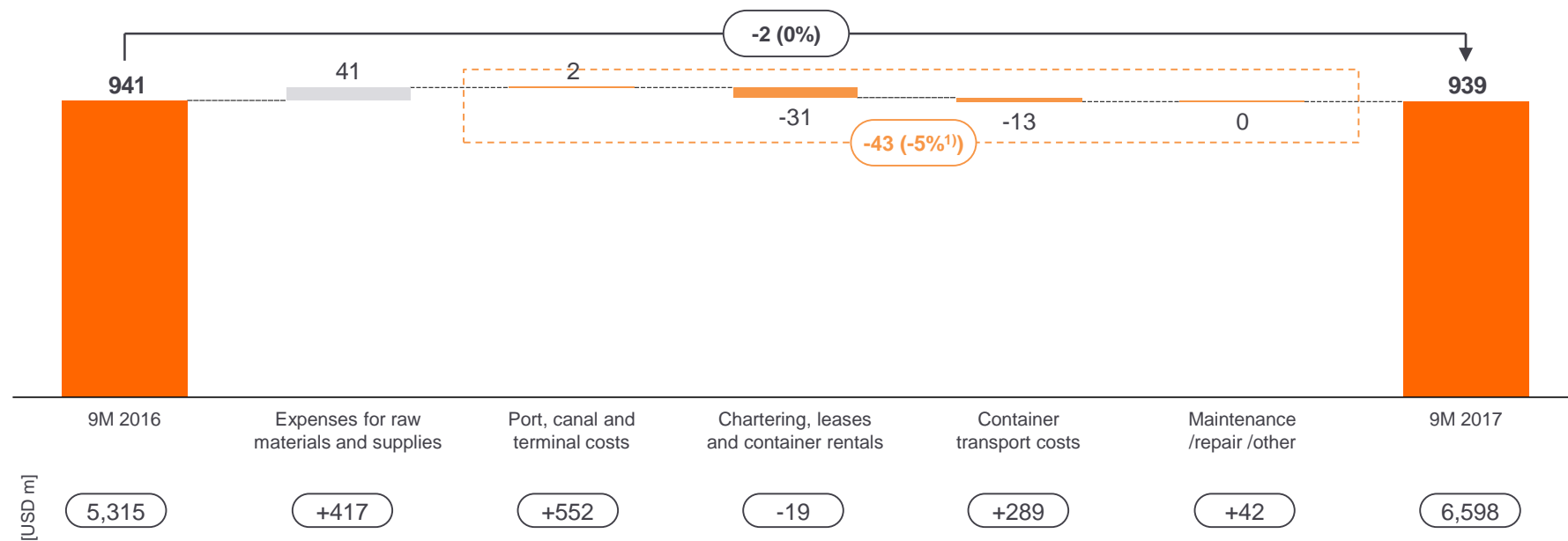


Bunker consumption & expenses



Despite higher bunker prices, transport expenses per TEU are flat YoY due to continuous cost-cutting – excl. bunker -5% YoY

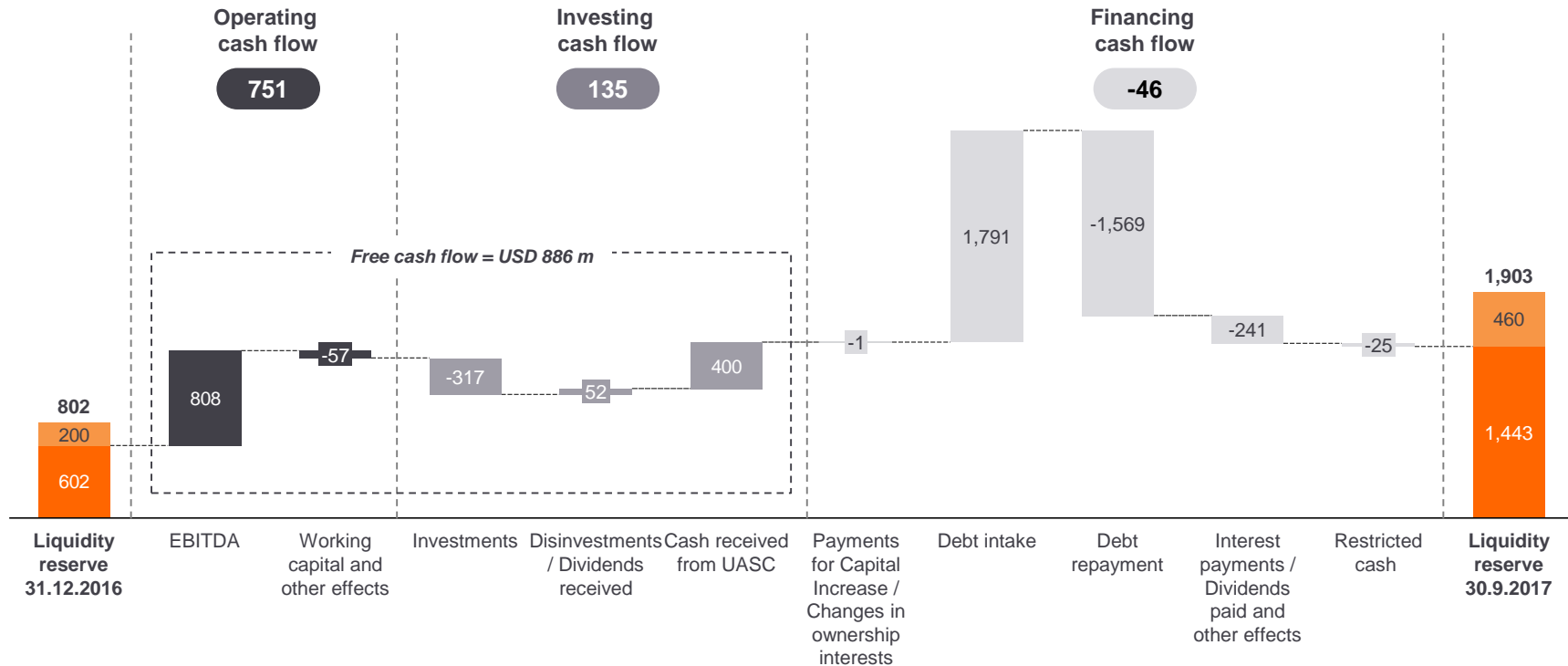
Transport expenses per TEU [USD/TEU]



1) Cost of purchased services 9M 2017: USD 803,7 /TEU
 Note: USD figures as stated in Investor Report 9M 2017

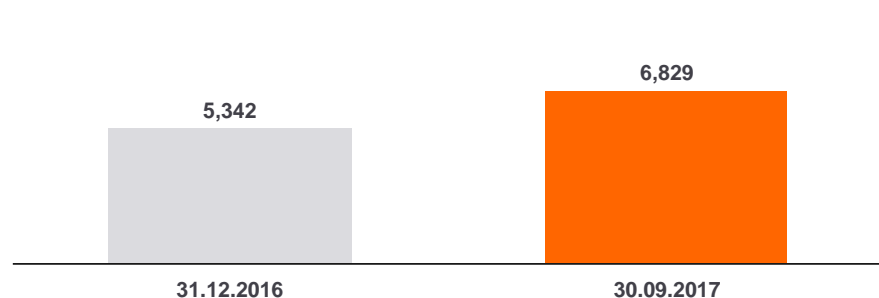
Substantial free cash flow of USD 886 m in 9M 2017 – Improved EBITDA major driver for CF generation

Cash flow 9M 2017 [USD m]

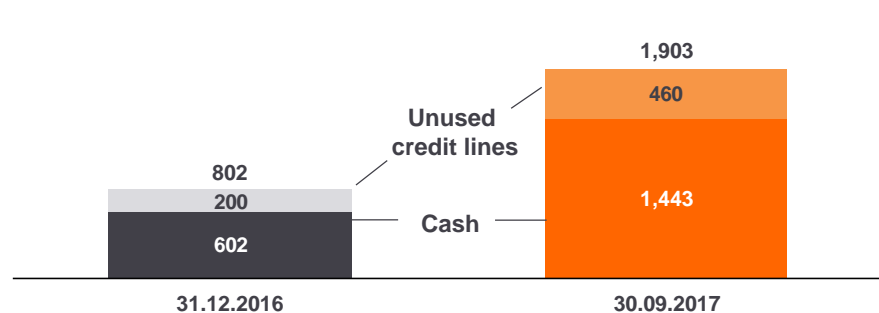


Solid equity at USD 6.8 bn and strong liquidity reserve at USD 1.9 bn which were partly used for bond repayments after balance sheet date

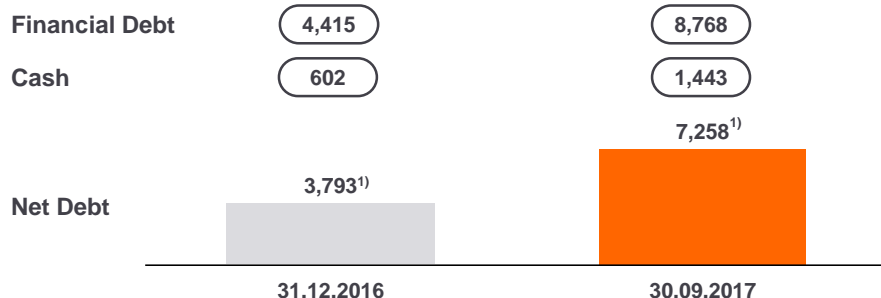
Equity base [USD m]



Liquidity position [USD m]



Net debt [USD m]



Comments

- **Strong liquidity reserve of USD 1.9 bn** partly used for repayment of existing bonds of USD 450 m shortly after balance sheet date
- **Equity ratio** decreases to **36.5%** due to a substantial increase in assets; Capital Increase of USD 413.4 m in October will strengthen equity going forward
- **Net debt** increased compared to 31.12.2016 as a result of first time consolidation of UASC Group but decreased by USD 150 m compared to 30.06.2017; proceeds from Capital Increase will reduce net debt further

Hapag-Lloyd Guidance (incl. UASC): Unchanged compared to H1 2017

Guidance for 2017

	FY 2016 (HL stand-alone)	Guidance for 2017 (Combined Entity)
Transport volume	7.6 TEU m	Increasing clearly
Bunker price	210 USD/mt	Increasing clearly
Freight rate	1,036 USD/TEU	Unchanged
EBITDA	USD 671 m	Increasing clearly
EBIT	USD 140 m	Increasing clearly

Hapag-Lloyd with clearly defined financial policy

Profitability	Profitability going forward supported by improved fleet ownership structure and synergy realization
Investments	No planned new vessel investments in next years – Maximize free cash flow
Deleveraging	Clear target to significantly deleverage over time
Liquidity	Maintain an adequate liquidity reserve for the Combined Entity



NAV ROOM

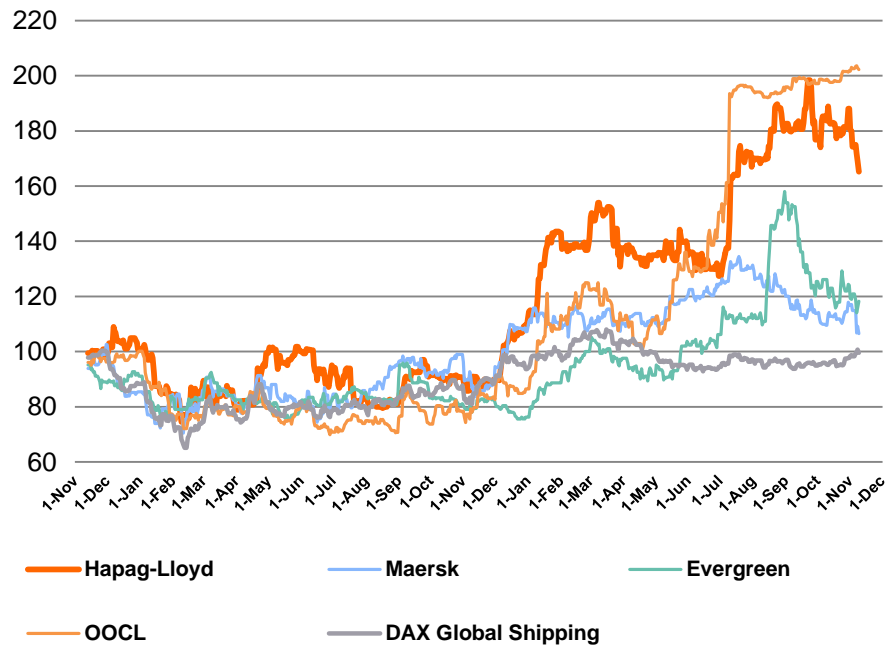
NAVIGATION ROOM

KEEP SHUT
AT S

INI DRM B
R OR GO
KEY ISL

Convincing equity story resulted in higher share price...

Share trading



Stock Exchange

Frankfurt Stock Exchange /
Hamburg Stock Exchange

**Market segment /
Index**

Regulated market (Prime Standard) /
SDAX

ISIN / WKN

DE000HLAG475 / HLAG47

Ticker Symbol

HLAG

Primary listing

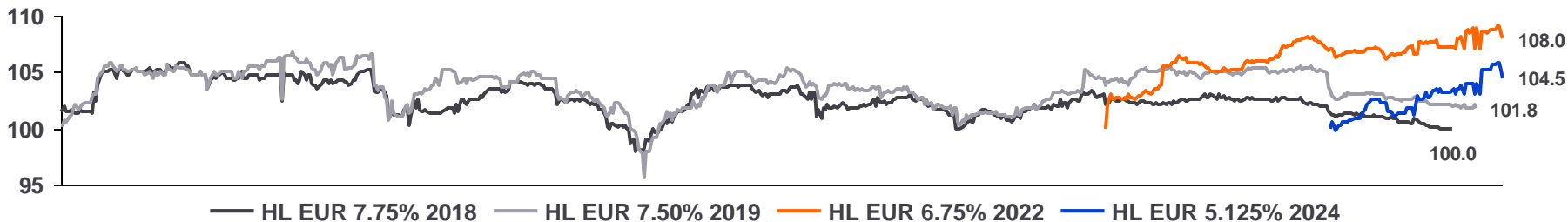
6 November 2015

Number of shares

175,760,293

...and lower bond yields

Bonds trading

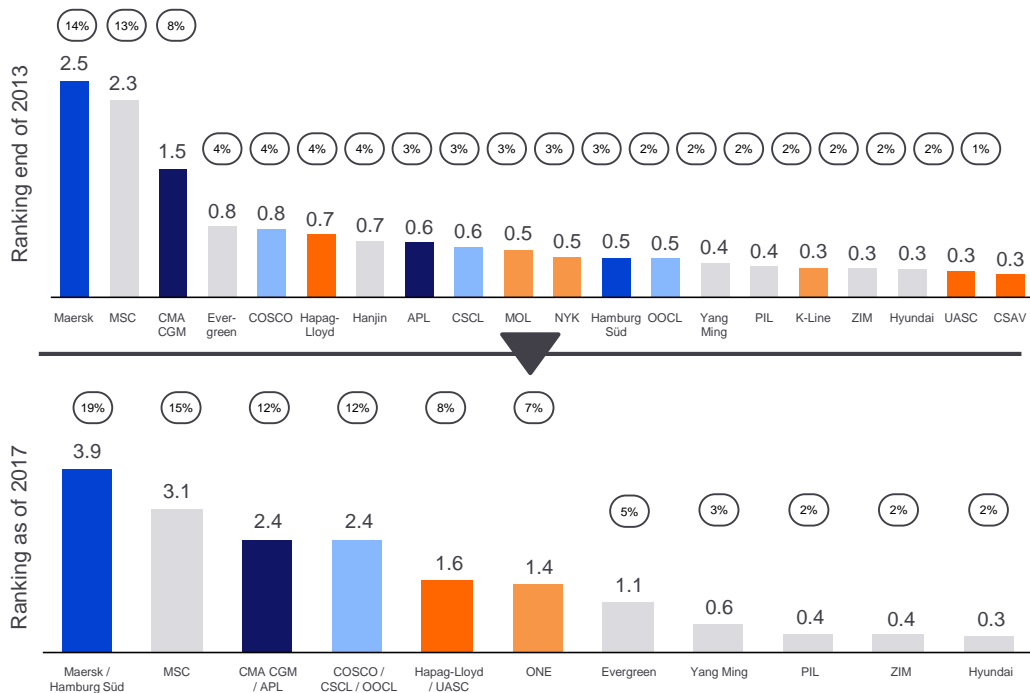


	EUR Bond 2024	EUR Bond 2022	EUR Bond 2019	EUR Bond 2018
Listing	Open market of the Luxembourg Stock Exchange (Euro MTF)			
Volume	EUR 450 m	EUR 450 m	EUR 250 m ²⁾	EUR 200 m ¹⁾
ISIN / WKN	XS1645113322	XS1555576641 / A2E4V1	XS1144214993 / A13SNX	XS0974356262 / A1X3QY
Maturity Date	Jul 15, 2024	Feb 1, 2022	Oct 15, 2019	Oct 1, 2018
Redemption Price	as of July 15, 2020:102.563%; as of July 15, 2021:101.281%; as of July 15, 2022:100%	as of Feb 1, 2019:103.375%; as of Feb 1, 2020:101.688%; as of Feb 1, 2021:100%	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%
Coupon	5.125%	6.75%	7.50% <i>repaid</i>	7.75% <i>repaid</i>

1) Full redemption on 1 October 2017; 2) Full Redemption on 15 October 2017

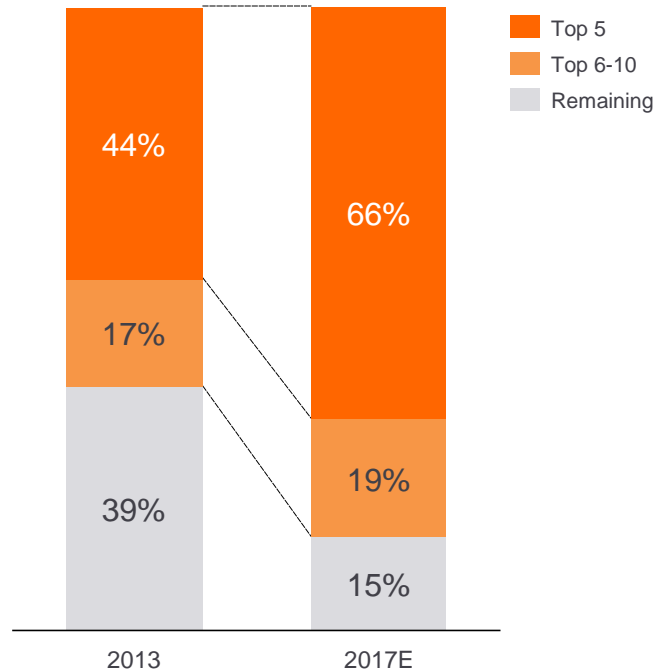
Current consolidation wave leads to higher concentration

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



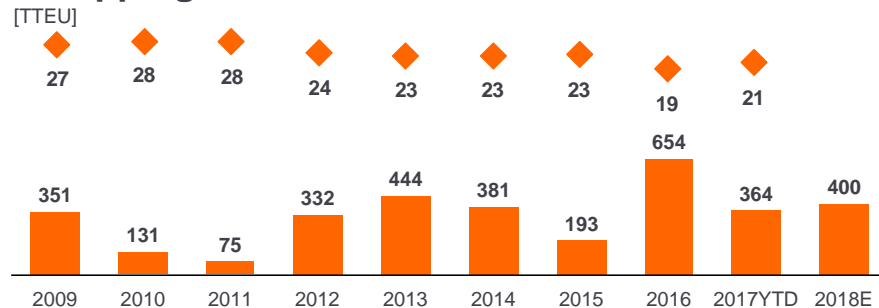
Global capacity share [%]

Global capacity share [%]

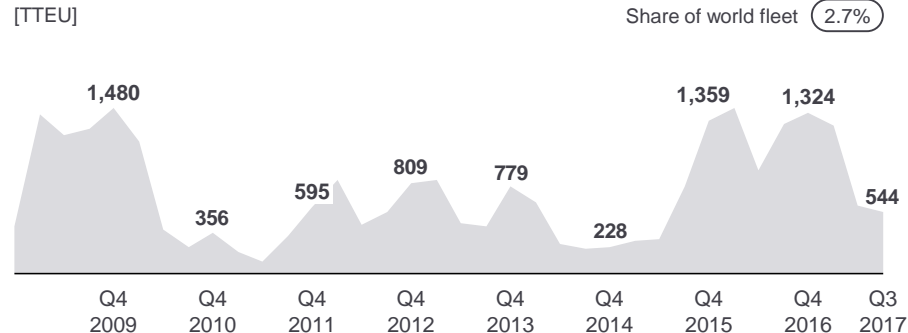


Supply / Demand: Scrapping and postponements help to keep net capacity growth low – Supply / demand gap is closing

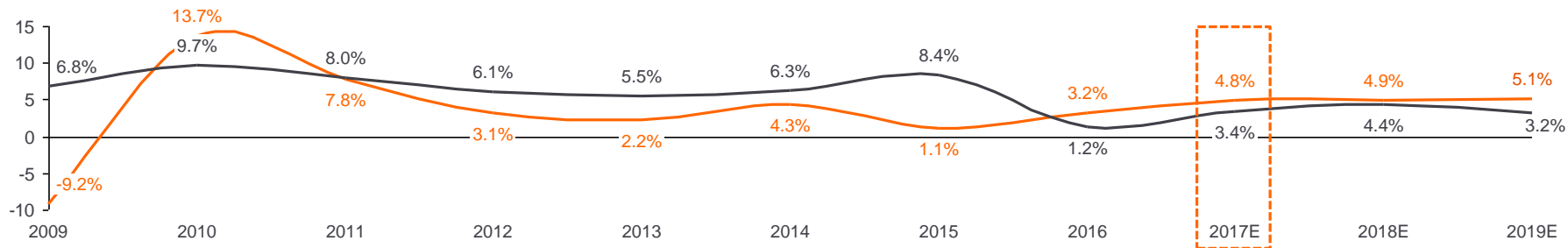
Scrapping



Idle fleet

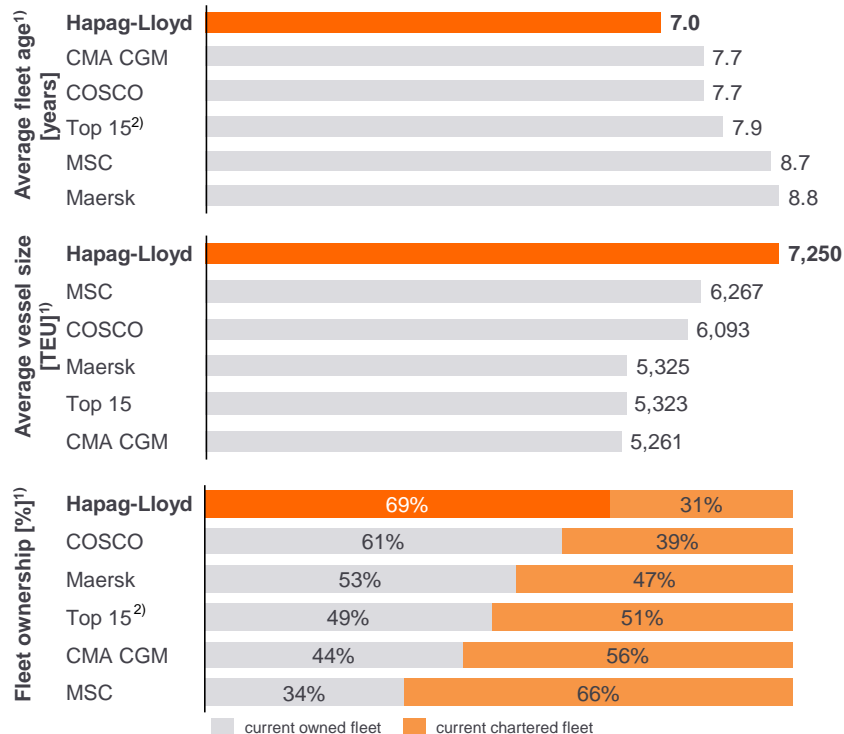


Supply / demand gap










Fleet optimization ongoing – Efficient and young fleet with a low level of investment needed

Young and fuel-efficient fleet

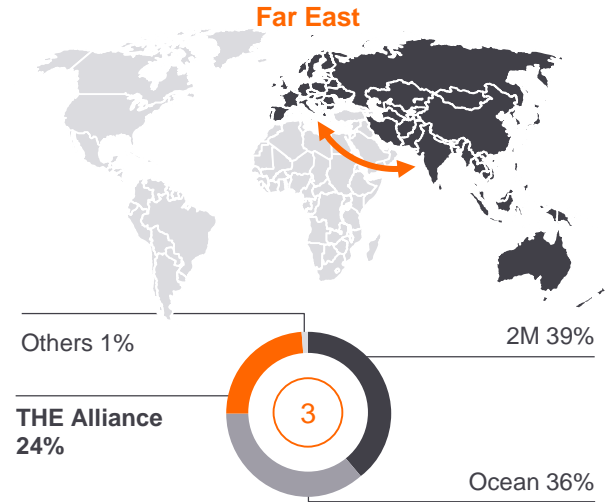
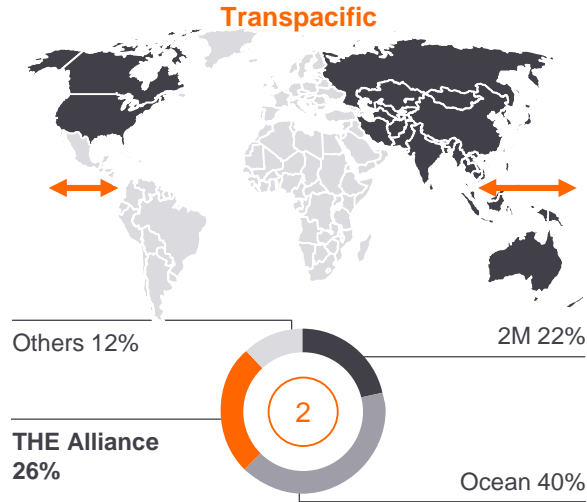
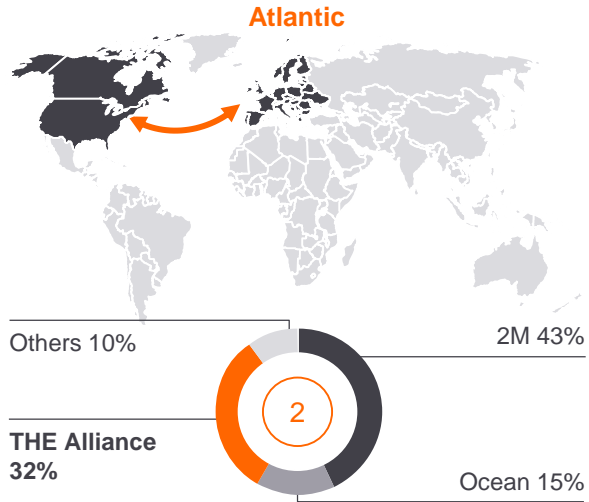


Vessel fleet (as of 30 September 2017)

Vessel	Owned ³⁾	Chartered	Current fleet
>14,000 TEU			
 TEU Vessels	284,143 17	- -	284,143 17
10,000 – 14,000 TEU⁴⁾			
 TEU Vessels	305,876 24	61,087 6	366,963 30
8,000 – 10,000 TEU			
 TEU Vessels	243,614 28	142,161 16	385,775 44
6,000 – 8,000 TEU			
 TEU Vessels	108,327 15	63,933 10	172,260 25
4,000 – 6,000 TEU			
 TEU Vessels	96,861 22	114,539 22	211,400 44
2,300 – 4,000 TEU			
 TEU Vessels	33,800 11	79,211 27	113,011 38
<2,300 TEU			
 TEU Vessels	3,918 2	21,340 15	25,258 17
Capacity [TEU]	1,076,539	482,271	1,558,810
Vessels	119	96	215

As of 1 April, Alliances have been reshuffled

THE Alliance competitive on all trades



Alliance members

THE Alliance Hapag-Lloyd

YANG MING K LINE NYK Line MOL

2M MAERSK MSC HMM¹⁾

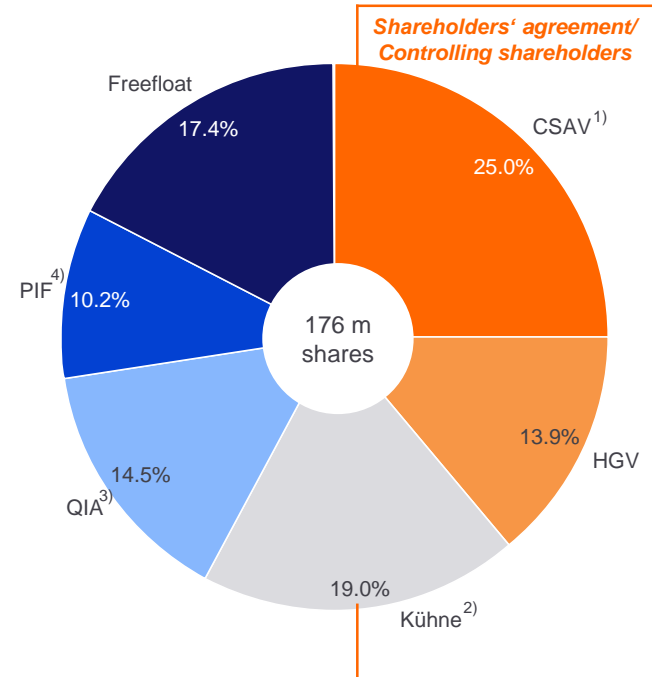
HAMBURG SÜD

Ocean Alliance

CMA CGM OOCL Hapag-Lloyd EVERGREEN

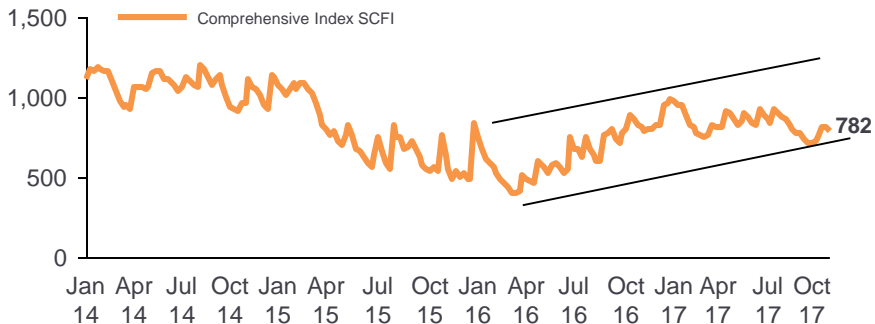
Capital increase successfully completed – Key terms of the rights issue

Offer size	<ul style="list-style-type: none"> – 11,717,353 new shares (c. 7.1 % of current share capital), resulting in EUR 351.5 m of gross proceeds
Subscription price	<ul style="list-style-type: none"> – EUR 30 per share (17.8 % discount to XETRA closing price as of 27 September 2017, 16.8 % discount to TERP)
Use of proceeds	<ul style="list-style-type: none"> – Repayment of existing indebtedness, with any remainder to be used for general corporate purposes
Listing	<ul style="list-style-type: none"> – Regulated market of Frankfurt Stock Exchange (Prime Standard) and the regulated market of the Hamburg Stock Exchange
Distribution	<ul style="list-style-type: none"> – Public offer in Germany and Luxembourg – Offering in the US to QIBs under Rule 144A – Private placement to institutional investors outside the US in reliance on Reg S
Take-up ratio	<ul style="list-style-type: none"> – 96%

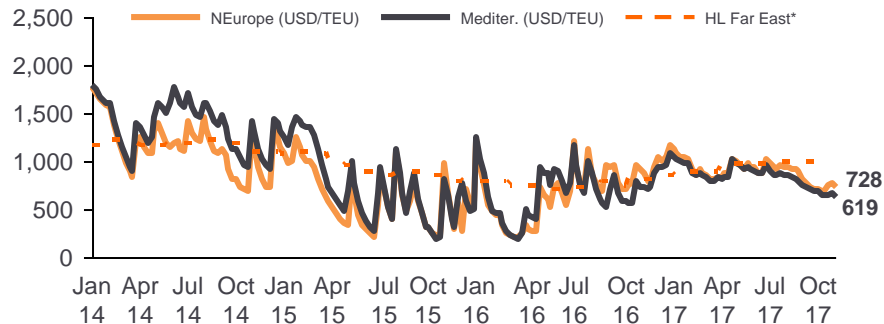


Freight rates with continued recovery since historic low in Q2 2016

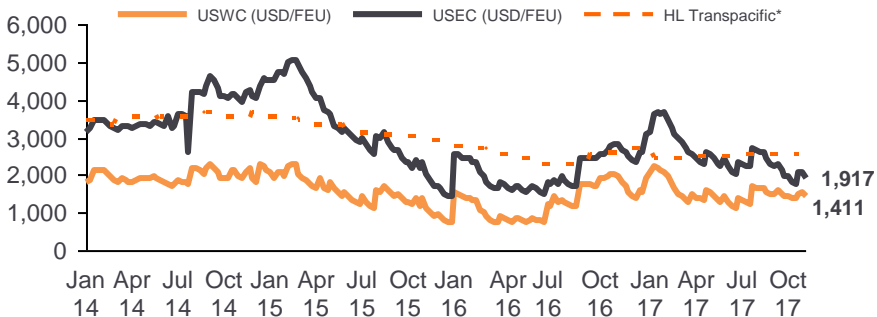
Comprehensive Index (SCFI)



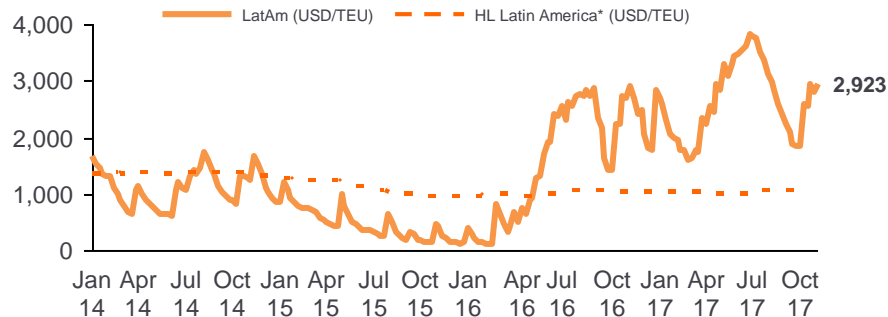
Shanghai – Europe (SCFI)



Shanghai – USA (SCFI)



Shanghai – Latin America (SCFI)



9M 2017: Hapag-Lloyd with Group profit of USD 7.7 m

Income statement [USD m]

	9M 2017	9M 2016	% change
Revenue	8,167.7	6,364.0	28%
Other operating income	143.4	100.7	42%
Transport expenses	-6,597.5	-5,315.1	24%
Personnel expenses	-577.5	-420.6	37%
Depreciation, amortization & impairment	-509.1	-395.8	29%
Other operating expenses	-363.0	-324.6	12%
Operating result	264.0	8.6	n.m.
Share of profit of equity-acc. investees	34.4	21.8	58%
Other financial result	0.5	-1.6	n.m.
Earnings before interest & tax (EBIT)	298.9	28.8	n.m.
EBITDA	808.0	424.6	90%
Interest result	-271.2	-161.5	68%
Income taxes	-20.0	-16.4	22%
Group profit / loss	7.7	-149.1	n.m.

Transport expenses [USD m]

	9M 2017	9M 2016	% change
Expenses for raw materials & supplies	948.8	531.4	79%
Cost of purchased services	5,648.7	4,783.7	18%
Thereof			
Port, canal & terminal costs	2,761.9	2,209.8	25%
Chartering leases and container rentals	805.2	823.8	-2%
Container transport costs	1,857.7	1,568.4	18%
Maintenance/ repair/ other	223.9	181.7	23%
Transport expenses	6,597.5	5,315.1	24%

Transport expenses per TEU [USD / TEU]

	9M 2017	9M 2016	% change
Expenses for raw materials & supplies	135.0	94.1	44%
Cost of purchased services	803.7	846.7	-5%
Thereof			
Port, canal & terminal costs	392.9	391.1	0%
Chartering leases and container rentals	114.6	145.8	-21%
Container transport costs	264.3	277.6	-5%
Maintenance/ repair/ other	31.9	32.2	-1%
Transport expenses	938.7	940.7	0%

9M 2017: Hapag-Lloyd with equity ratio of 36.5% - reflecting the capital increase as well as the initial inclusion of UASC

Balance sheet [USD m]

	30.09.2017	31.12.2016	30.09.2016
Assets			
Non-current assets	15,331.2	10,267.4	10,241.0
of which fixed assets	15,080.4	10,183.3	10,169.0
Current assets	3,355.3	1,698.0	1,586.2
of which cash and cash equivalents	1,442.7	602.1	549.3
Total assets	18,686.5	11,965.4	11,827.2
Equity and liabilities			
Equity	6,829.0	5,341.7	5,280.1
Borrowed capital	11,857.5	6,623.7	6,547.1
of which non-current liabilities	7,931.7	3,836.7	3,875.9
of which current liabilities	3,925.8	2,787.0	2,671.2
of which financial debt	8,768.0	4,414.9	4,360.9
thereof			
Non-current financial debt	7,500.3	3,448.4	3,449.9
Current financial debt	1,267.7	966.5	911.0
Total equity and liabilities	18,686.5	11,965.4	11,827.2

Financial position [USD m]

	30.09.2017	31.12.2016	30.09.2016
Cash and cash equivalents	1,442.6	602.1	549.3
Financial debt	8,768.0	4,414.9	4,360.9
Net debt	7,257.6¹⁾	3,793.1¹⁾	3,811.6
Unused credit lines	460.0	200.0	75.0
Liquidity reserve	1,902.7	802.1	624.3
Equity	6,829.0	5,341.7	5,280.1
Gearing (net debt / equity) (%)	106.2%	71.0%	72.2%
Equity ratio (%)	36.5%	44.6%	44.6%



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