

Investor Presentation

Full Year 2017 Results

Hamburg, 28 March 2018



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)
- Clearly increased **operating result (EBIT) of USD 466 m** in FY 2017 (+234% YoY)

02 | Sector Update

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

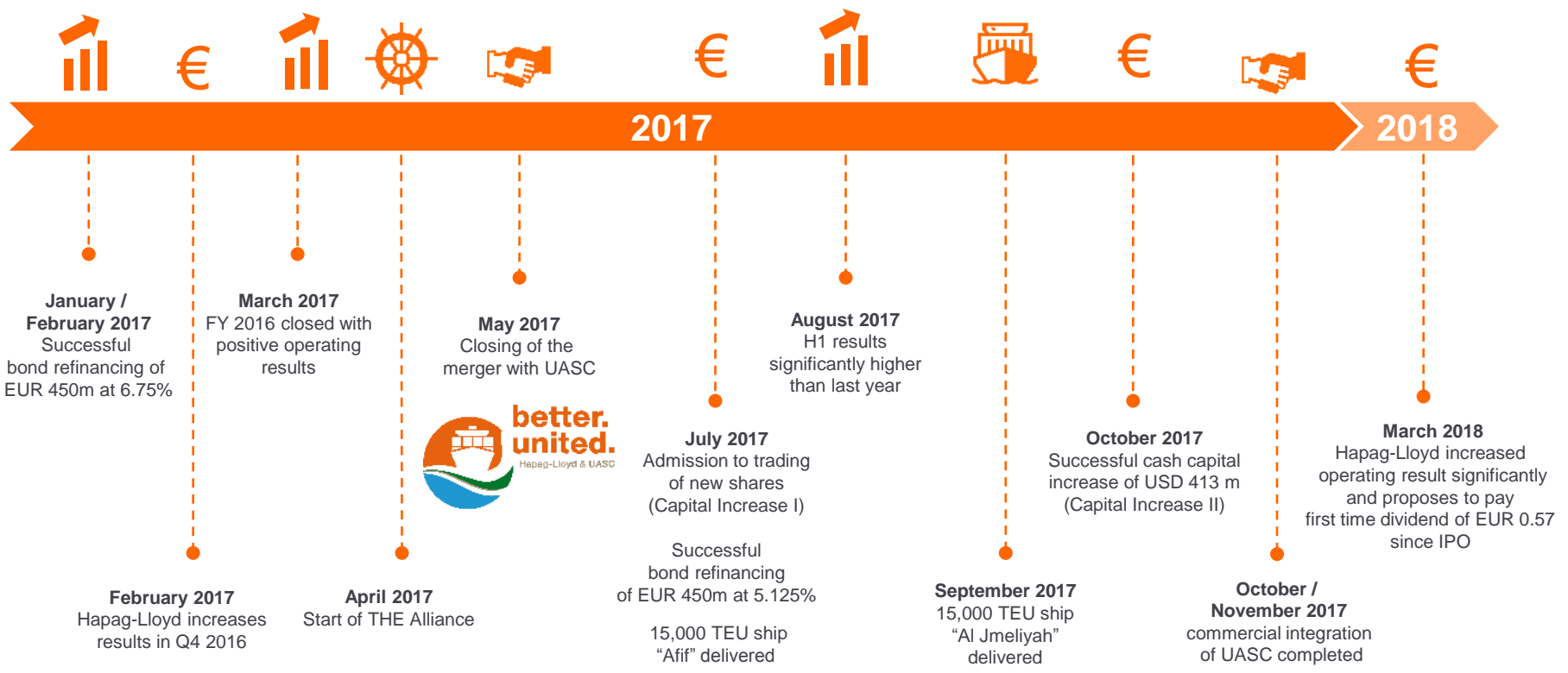
03 | Financials

- Significantly improved **EBITDA of USD 1,198 m** in FY 2017 (USD 390 m in Q4 2017)
- Further reduction of unit cost despite higher bunker prices
- Proposal of first time **dividend payment** since IPO of EUR 57ct

04 | Way Forward

- Clear target to **improve profitability** going forward and to deleverage the company over time
- In the midterm, no needs for major investments – Maximize free cash flow
- **Access synergies** from the merger with UASC – USD 435 m p.a. from 2019 onwards

Strategic Highlights: Hapag-Lloyd looks back on a challenging but successful year 2017...



Financial Highlights: ...with a substantially improved operating result

Transport volume

+29%

FY 2017: 9.8 TEU m

Freight rate

+1%

FY 2017: 1,051 USD/TEU

Transport expenses per TEU

-0.2%

FY 2017: 939 USD/TEU

EBIT

USD 466 m

4.1% EBIT margin

EBITDA

USD 1,198 m

10.6% EBITDA margin

Group profit

USD 35 m

3.1% ROIC

Equity

USD 7.3 bn

Increased equity

Liquidity reserve

USD 1.3 bn

Solid liquidity reserve







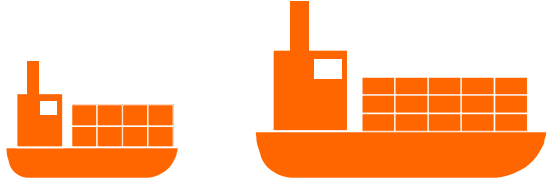
Net debt

USD 6.8 bn

Consolidated financial position

Hapag-Lloyd has improved a lot – Today we are bigger, stronger and more efficient

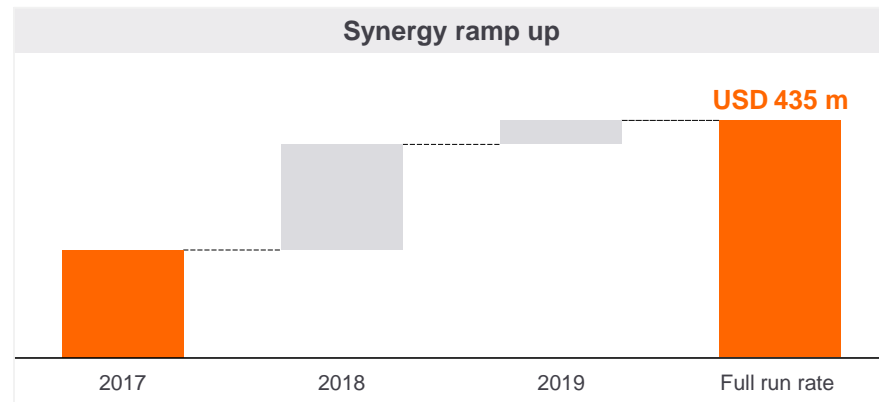
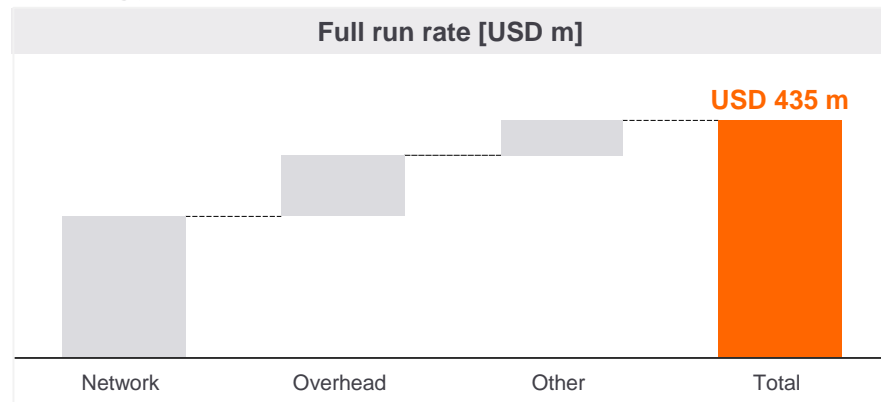
At a glance

<p>5 Regions</p> <p>As result of the merger, a new region Middle East has been created</p>	<p>Trade portfolio</p> <p>The new Hapag-Lloyd has a very balanced trade portfolio, covering all relevant trades worldwide</p> 	<p>219 container ships are operated by Hapag-Lloyd and UASC together – a modern, efficient fleet</p> <p>THE Alliance</p>	<p>~12,500 employees worldwide</p> 	<p>387 offices in 125 countries</p> 	<p>120 Services</p>  <p>7.1 years is the average age of our fleet</p>
<p>2,300,000 TEU of container transport capacity is available to customers for the transportation of cargo</p> 	<p>1.6 million TEU is the total transport capacity of the container ships. This means that we operate one of the world's largest fleets</p> 	<p>7,184 TEU is the average vessel size of our fleet</p> 	<p>435 million USD in synergies are expected annually from 2019 onwards</p>		

Successful operational integration only six months after closing!

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

Synergy potential



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

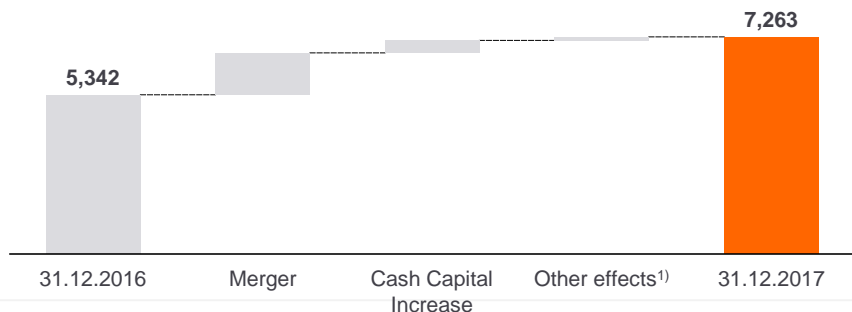
As result of the capital increase, we have strengthened our equity – while at the same time reducing financing costs

Capital Market Projects

Capital Increase

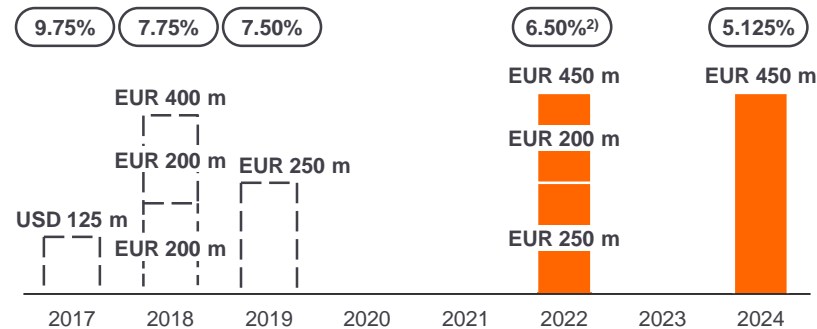
- **Listing of former UASC shares** through a contribution in kind
- **Cash Capital Increase** successfully completed in October 2017
- Issuance of **11,717,353 new shares**, resulting in USD 413 m of gross proceeds used to repay existing indebtedness and for general corporate purposes

Enhanced equity base [USD m]



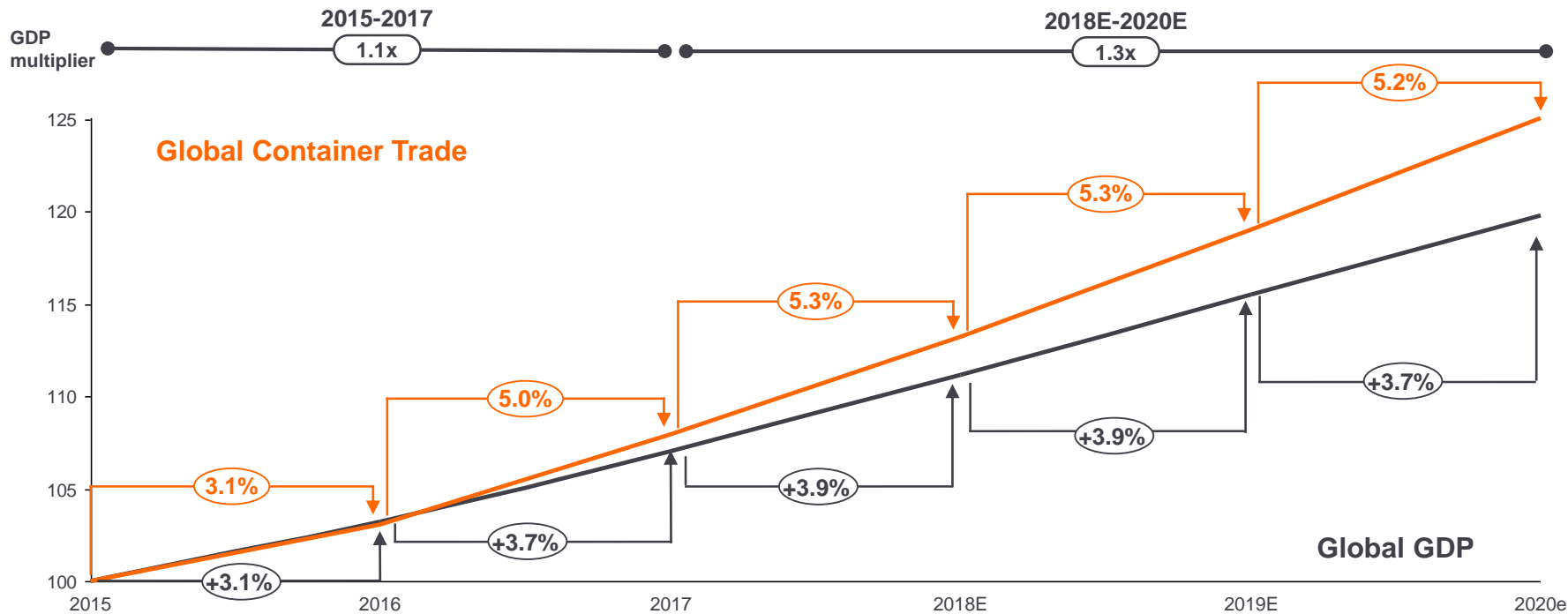
Bond Issuances

- Issuance of **two new bonds** with a total value of **EUR 900 m**
- The proceeds were used to proactively refinance outstanding bonds due 2017, 2018 & 2019
- Through the issuances we have **reduced our finance costs** and have improved the maturity structure of our financial liabilities



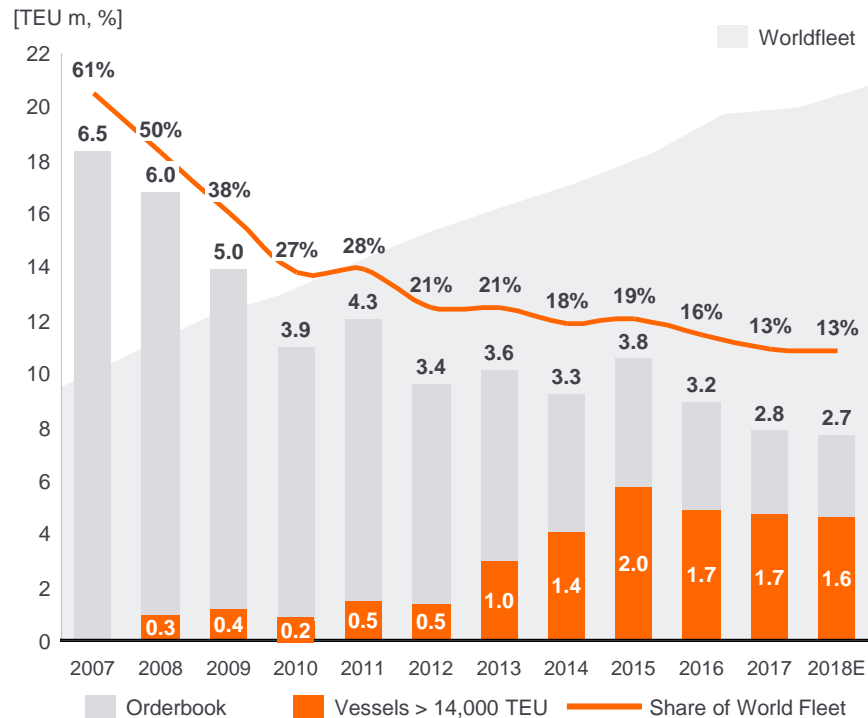
Demand: Container shipping growth remains on a healthy and constant level driven by a solid global economic growth

Global Container Trade & Global GDP Growth [%]

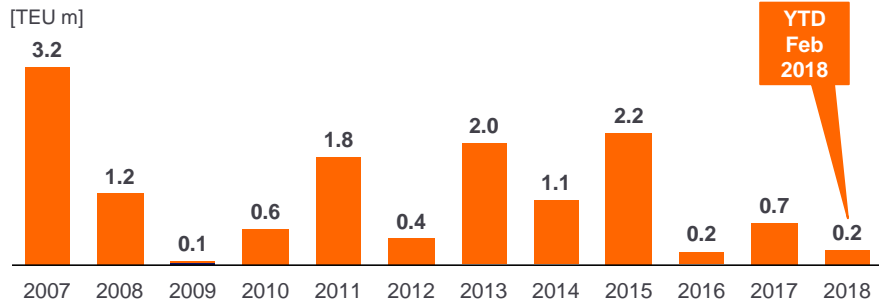


Supply: Orderbook remains at a historically low level, while almost no idle capacity is available

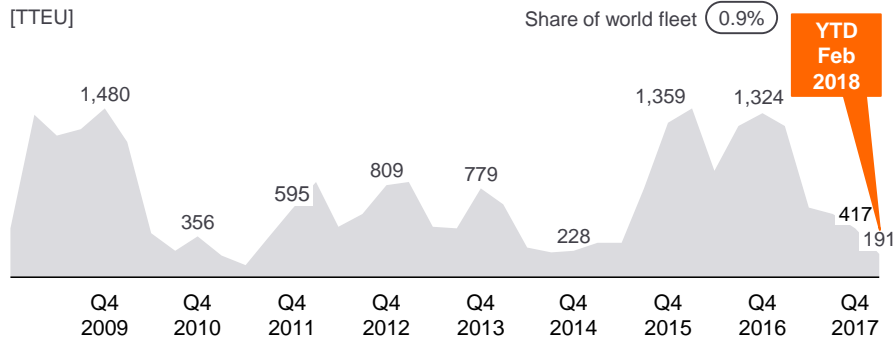
Orderbook-to-fleet



Orders placed



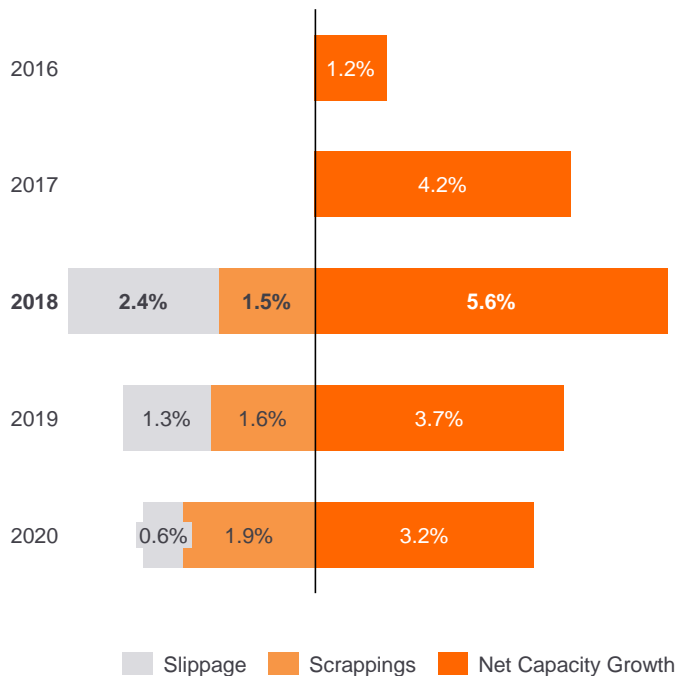
Idle Fleet



Even though, short term supply pressure will most likely persists, mid-term supply/demand gap is closing further

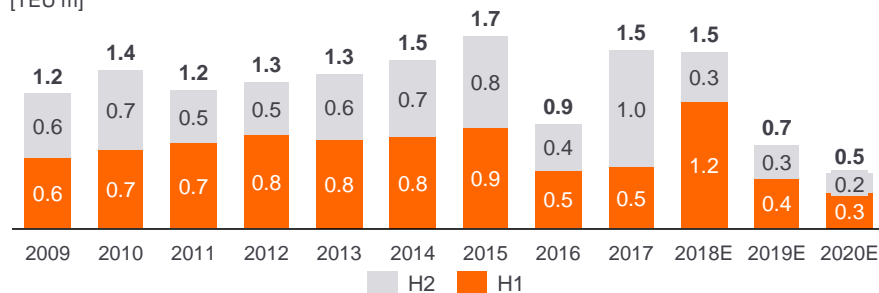
Net Capacity Growth

[in % of worldfleet]

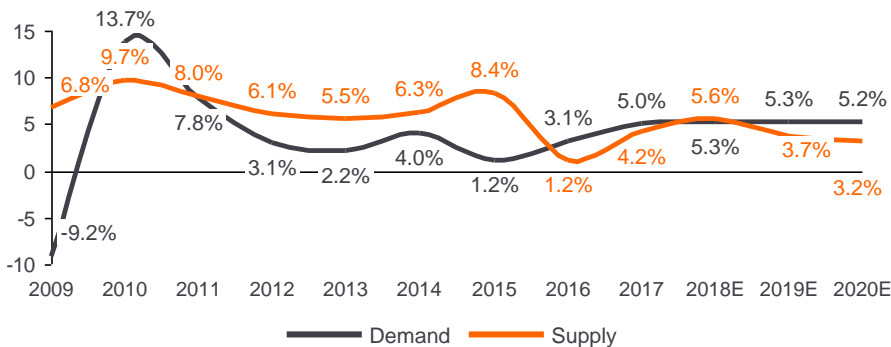


Vessel deliveries

[TEU m]



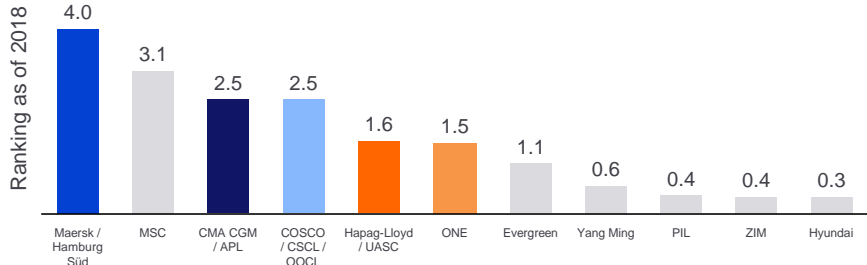
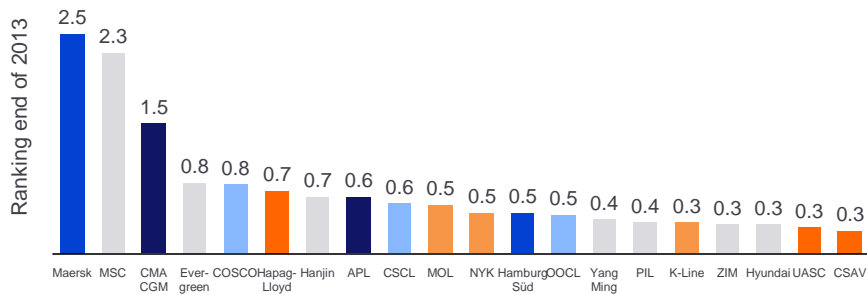
Supply / Demand Balance



Consolidation is still ongoing – Full effects of the higher concentration not fully visible yet

Industry consolidation



Carrier capacity [TEU m]



24 May 2017 ✓

 Hapag-Lloyd +  UASC

30 November 2017 ✓

 MAERSK +  HAMBURG SÜD

1 April 2018

 +  +  =  ONE

End of 2018?

 + 

We have achieved a significantly improved EBIT of USD 466 m while EBITDA almost doubled to USD 1,198 m in 2017

Operational KPIs

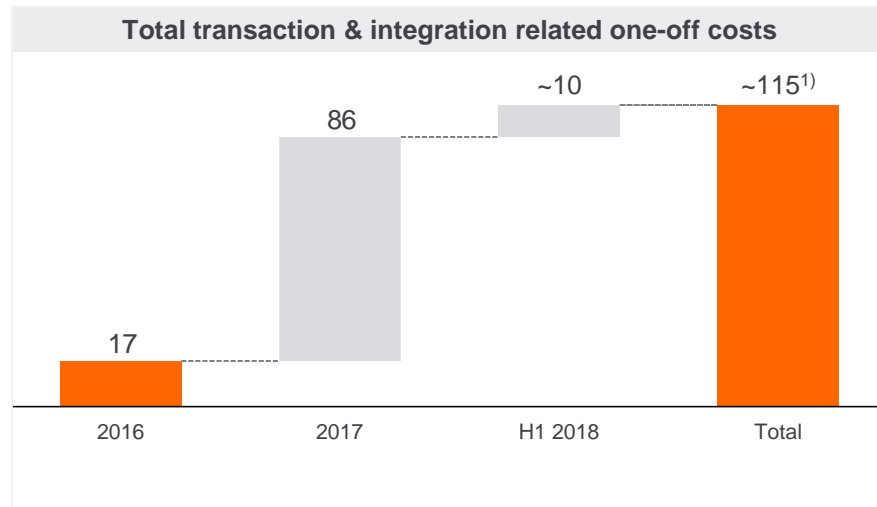
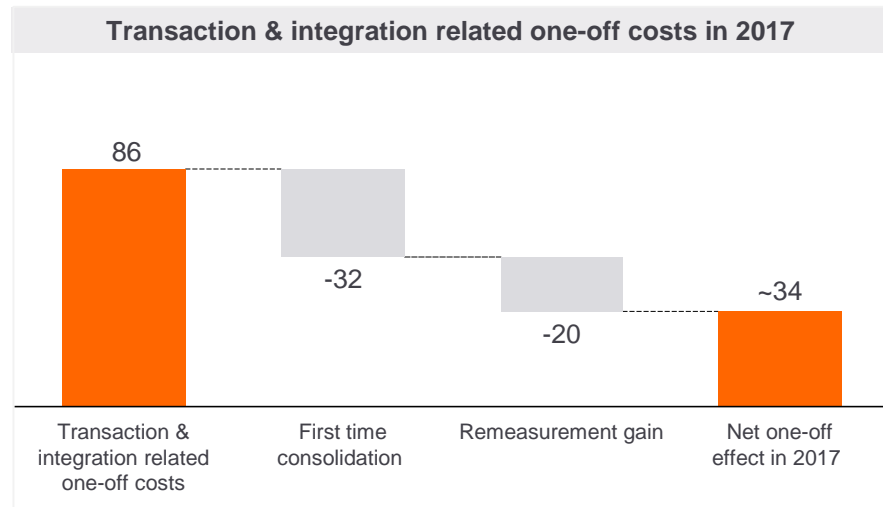
	Q4 2017	Q4 2016	Δ%	FY 2017	FY 2016	Δ%
Transport volume [TTEU]	2,774	1,949	+42%	9,803	7,599	+29%
Freight rate [USD/TEU]	1,030	1,033	0%	1,051	1,036	+1%
Bunker [USD/mt]	338	269	+26%	318	226	+41%
Revenue [USD m]	3,119	2,182	+43%	11,286	8,546	+32%
EBITDA [USD m]	390	246	+59%	1,198	671	+79%
EBITDA margin	12.5%	11.3%	+1.2ppt	10.6%	7.9%	+2.8ppt
EBIT [USD m]	167	111	+51%	466	140	+234%
EBIT margin	5.4%	5.1%	+0.3ppt	4.1%	1.6%	+2.5ppt
Group profit [USD m]	28	46	-39%	35	-103	n.m.
ROIC [%]	n/a	n/a	n/a	3.1%	1.3%	+1.8ppt

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One-offs are mainly related to the first time consolidation and integration of UASC – Total one-off costs estimated at USD 115 m

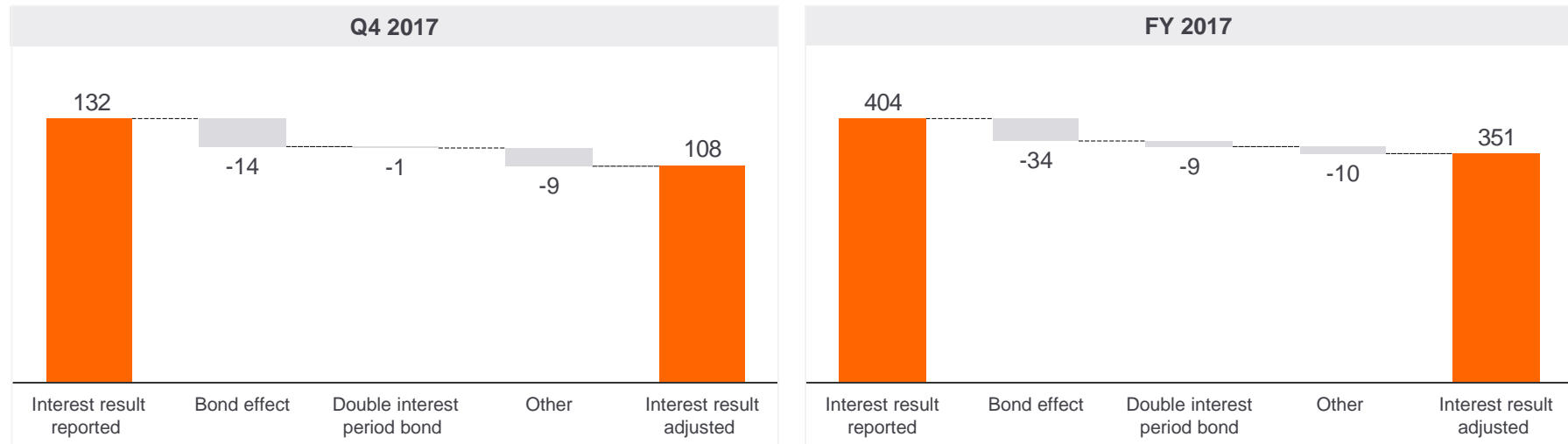
Transaction & integration related one-off costs [USD m]



Comments

- In 2017, first time consolidation of UASC generated **one-off income of around USD 32 m**, this includes adjustments to the provisional PPA of USD ~21 m in Q4 2017
- **Profit from the remeasurement (USD ~20m) of a joint venture** previously recognized as an equity-accounted share almost offset the PPA adjustment in Q4 2017
- **Net one-off effect** on FY 2017 EBIT of **USD ~34 m and USD ~5 m in Q4 2017** respectively
- **Further one-off costs of USD ~10 m** expected for H1 2018

Interest result mainly affected by extraordinary cost as a result of the early redemption of bonds

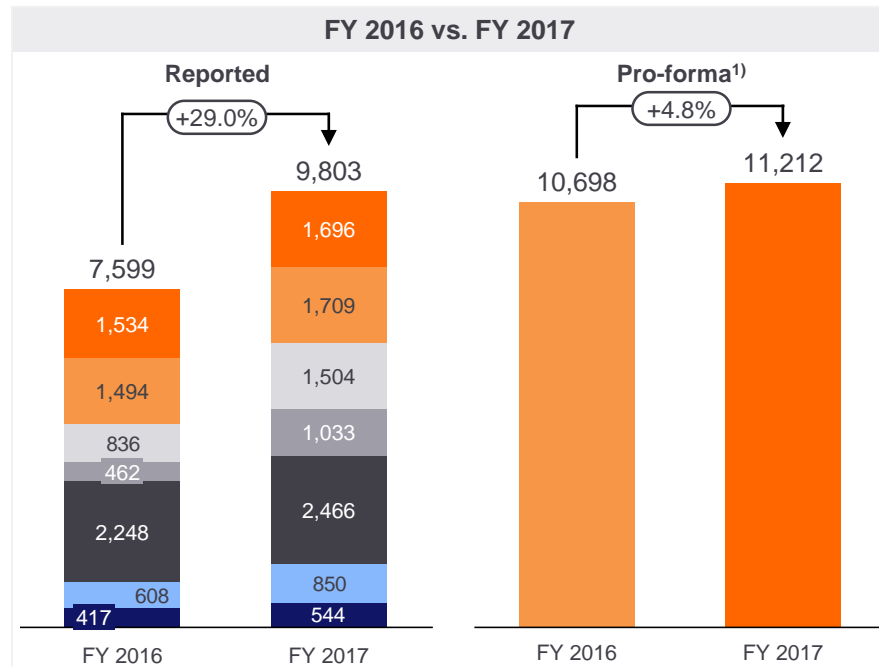
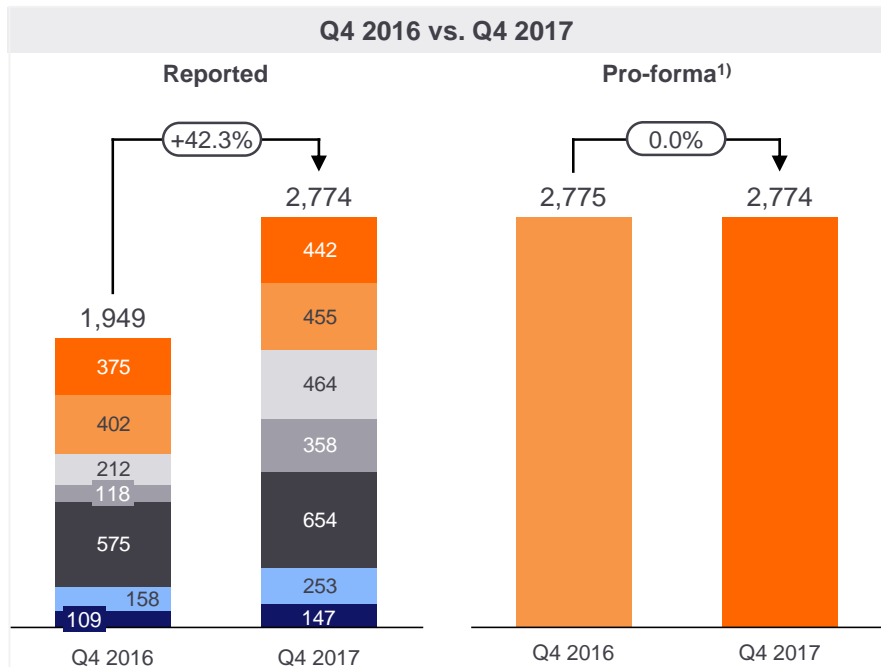


Comments

- One-off cost in financial result related mainly to **the early redemption of US-dollar and Euro bonds**
- Result includes **redemption charges, the disposal of associated embedded derivatives** as well as other associated transaction cost

Transport volume was up by 29% YoY, on a pro-forma basis transport volume with a healthy growth of 4.8% YoY in line with market growth

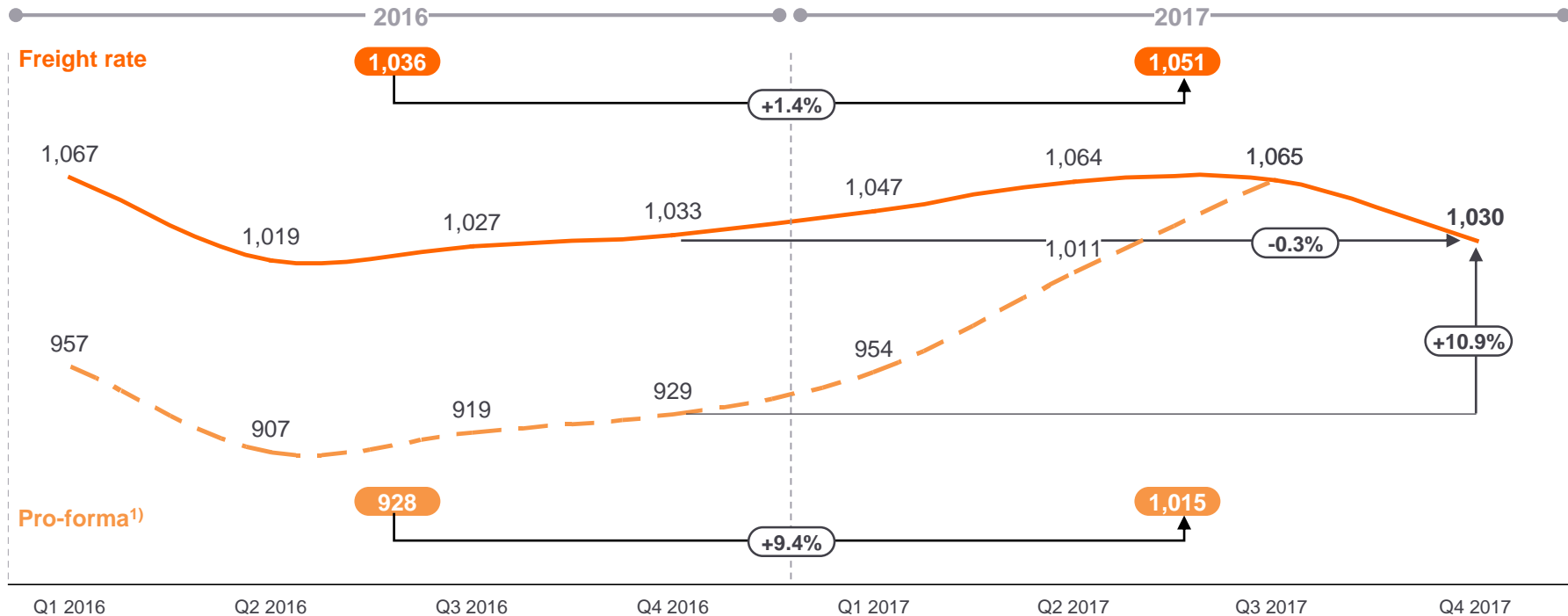
Transport volume [TEU m]



■ Atlantic
 ■ Transpacific
 ■ Far East
 ■ Middle East
 ■ Latin America
 ■ Intra Asia
 ■ EMAO

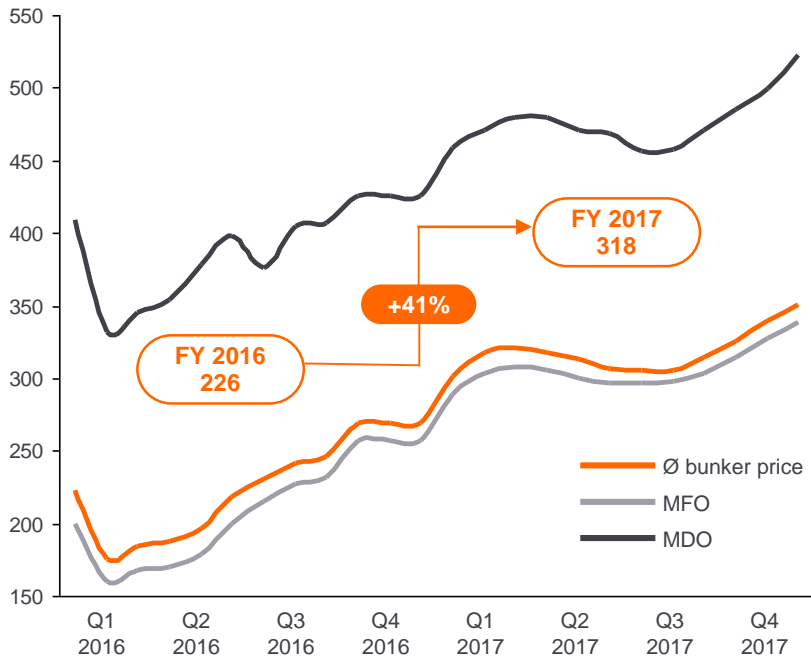
On a pro-forma basis, freight rates have increased by 9.4% YoY

Reported freight rate [USD/TEU] vs. Pro-forma freight [USD/TEU]

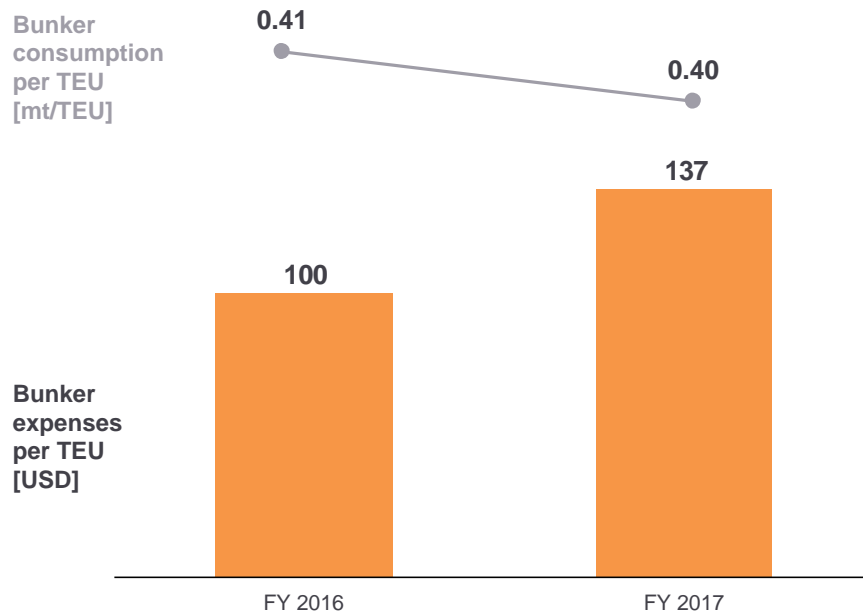


Hapag-Lloyd benefits from optimized bunker consumption, but substantial increase in bunker price harms P&L

Bunker consumption price [USD/mt]

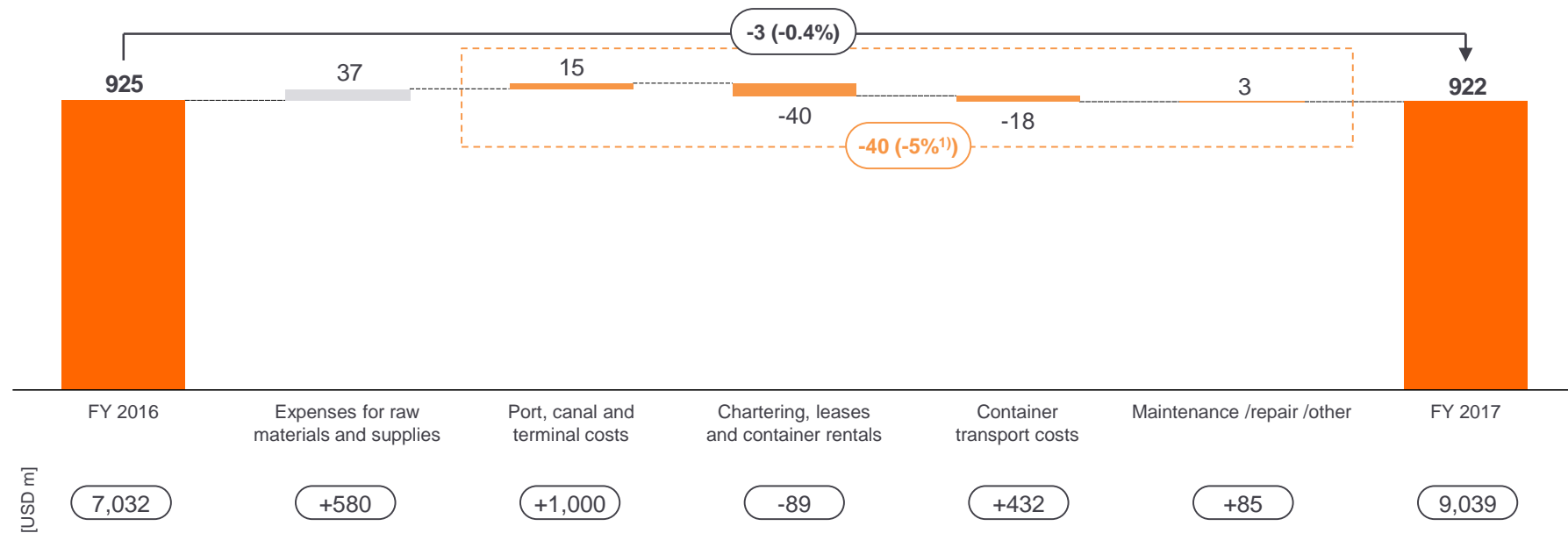


Bunker consumption & expenses



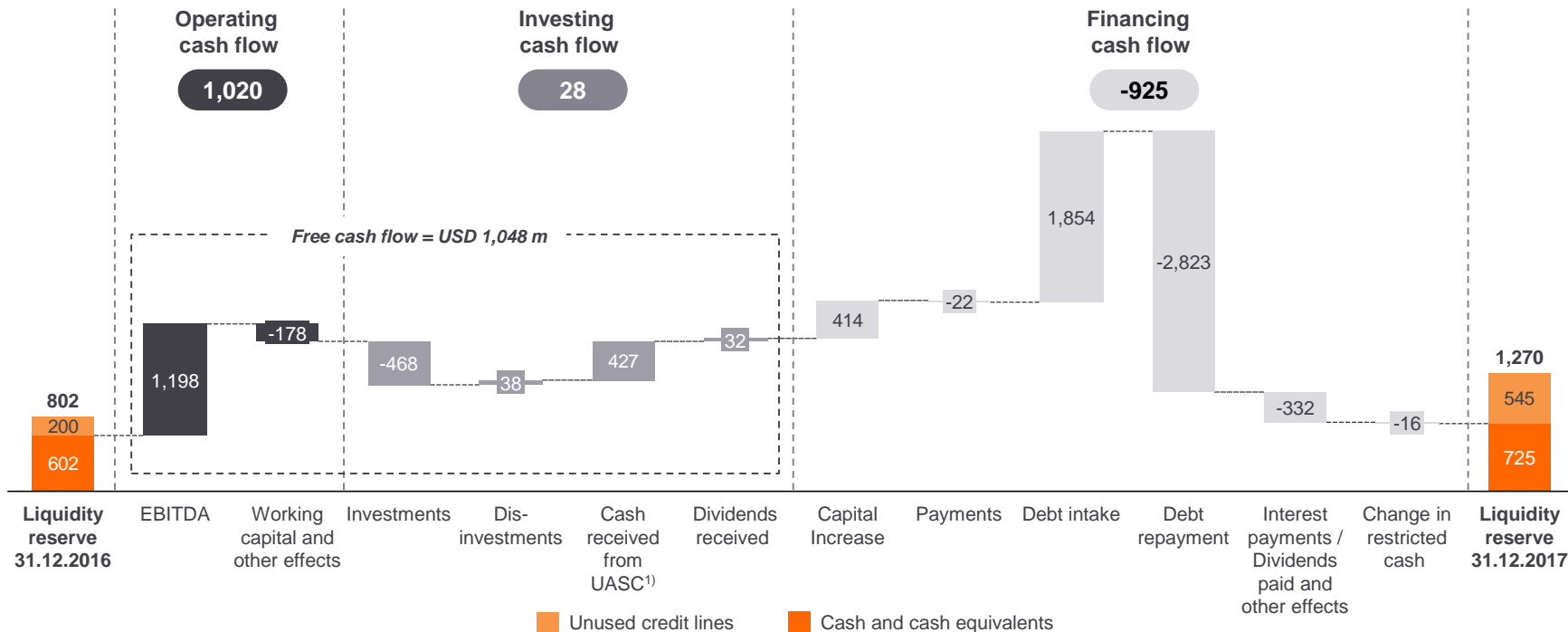
Despite higher bunker prices, transport expenses per TEU are flat YoY due to continuous cost management – excl. bunker -5.0% YoY

Transport expenses per TEU [USD/TEU]



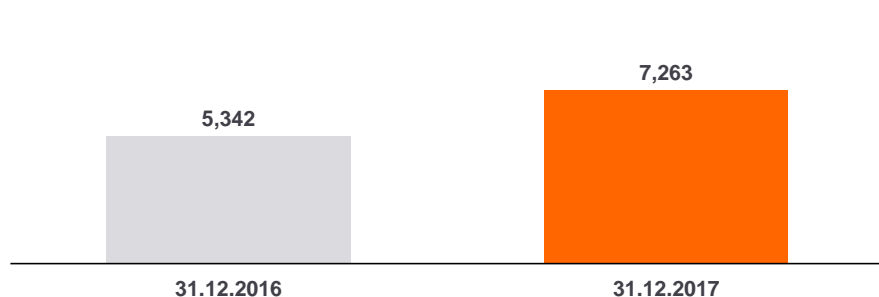
Substantial free cash flow of USD 1,048 m in FY 2017 – Increased EBITDA and low CAPEX as major driver for CF generation

Cash flow FY 2017 [USD m]

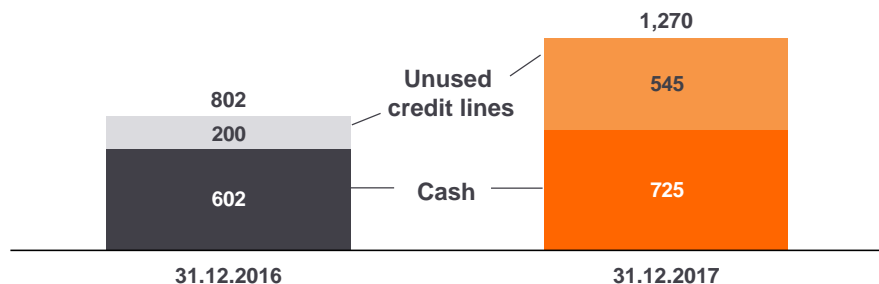


Solid equity at USD 7.3 bn and strong liquidity reserve at USD 1.3 bn but also higher net debt as a result of the merger with UASC

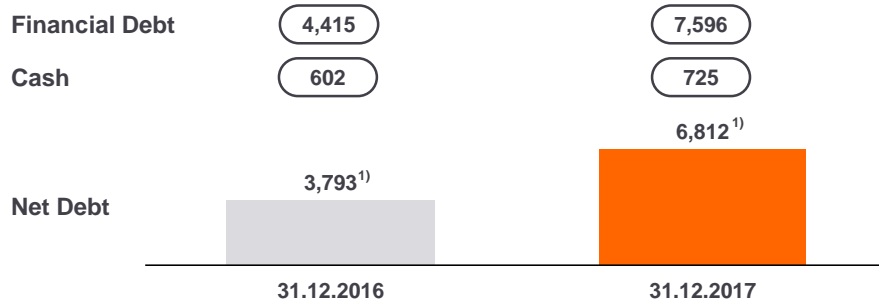
Enhanced equity base [USDm]



Improved liquidity reserve [USDm]



Net debt [USDm]



Successful financial measures






- 1 Bond refinancing** by issuing two new bonds with a total value of EUR 900 m and proactively repaying outstanding bonds
- 2 Cash Capital Increase** with gross proceeds of USD 413 m used to repay existing indebtedness
- 3 Substantial debt repayment** of net USD~1 bn

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¹⁾ incl. USD 58.6m Restricted Cash in 2017 and USD 19.7m in 2016

Outlook for 2018

	FY 2017	Outlook for 2018	Sensitivities for 2018	
 Transport volume	9,803 TTEU	Increasing clearly	+/- 100 TTEU	+/- USD <0.1 bn
 Average freight rate	1,051 USD/TEU	On previous year's level	+/- 40 USD/TEU	+/- USD ~0.5 bn
 Average bunker price	318 USD/mt	Increasing clearly	+/- 50 USD/mt	+/- USD ~0.2 bn
 EBITDA	USD 1,198 m	Increasing clearly		
 EBIT	USD 466 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 Company

Executive Board – Changes in organisational structure

Executive Board



CEO
Rolf Habben
Jansen

- Digitalization & customer centricity become top priority

CEO Division



CFO
Nicolás Burr

- Ensure deleveraging path & financial policies

CFO Division



COO
Anthony J. Firmin

- Full focus on operational excellence & network synergies

COO Division



CPO
Joachim
Schlotfeldt

- Grasp further procurement savings & optimize processes

CPO Division

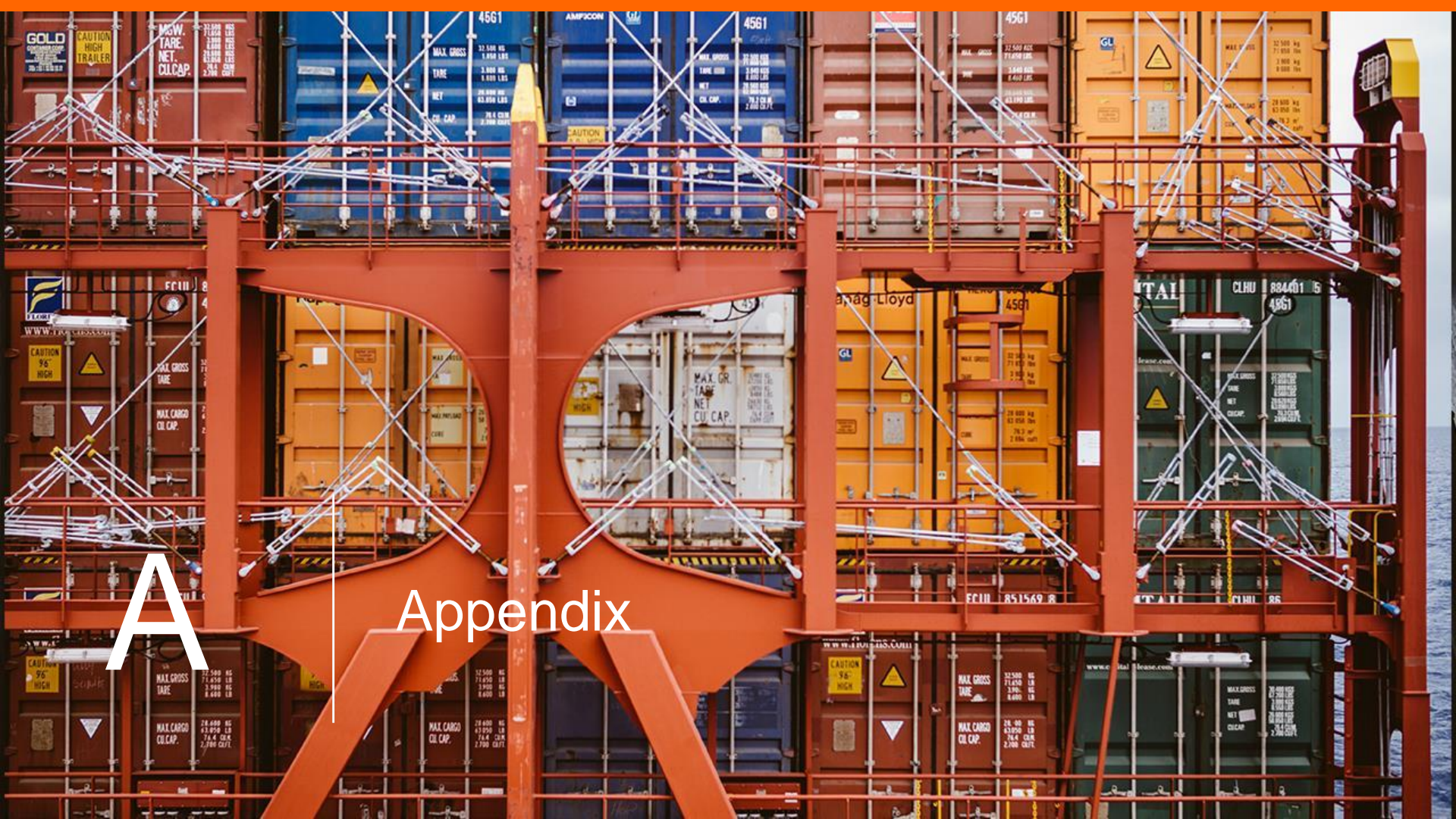
Organisational changes

- CEO, Rolf Habben Jansen, is taking over responsibility for sales activities & digitalization
- Joachim Schlotfeldt becomes new Executive Board member with focus on HR and worldwide procurement
- CCO, Torsten Haeser, is leaving as of 31 March 2018



- Focus on product and service quality on CEO level
- Special attention to procurement

Rational behind the changes

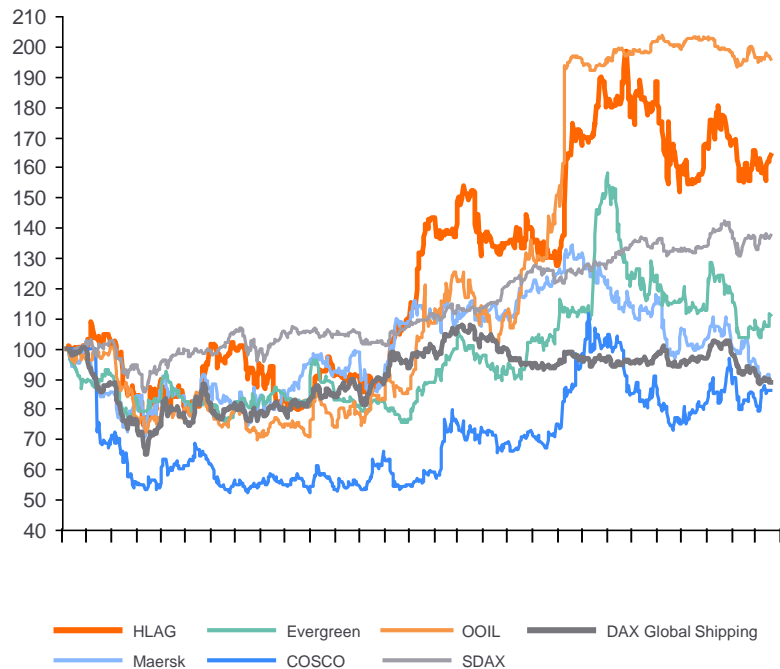


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Appendix

Convincing equity story resulted in higher share price...

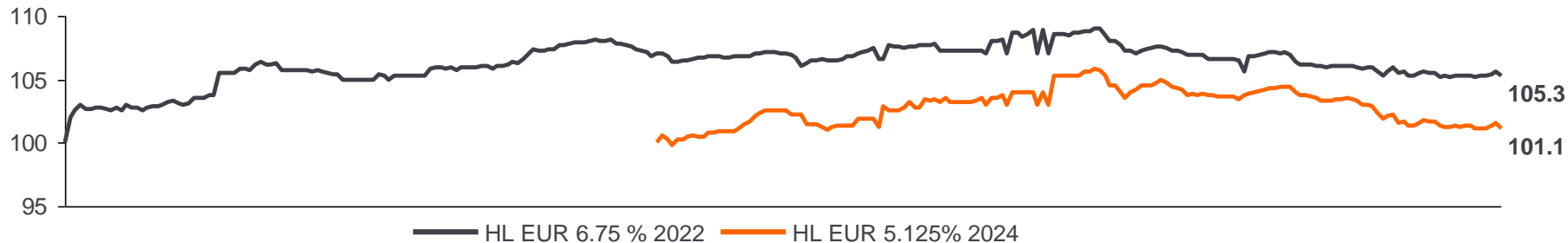
Share trading



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 bonds continue to trade above par

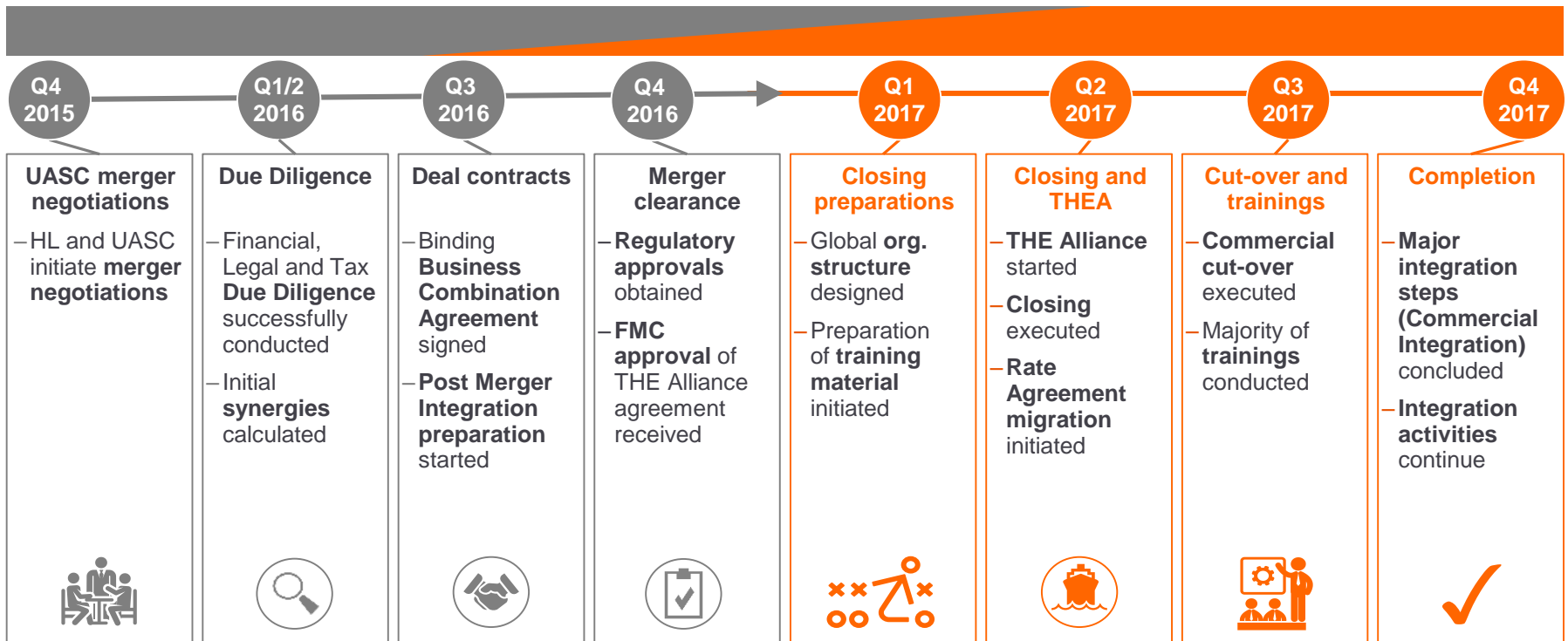
Bonds trading



	EUR Bond 2024	EUR Bond 2022
Listing	Open market of the Luxembourg Stock Exchange (Euro MTF)	
Volume	EUR 450 m	EUR 450 m
ISIN / WKN	XS1645113322	XS1555576641 / A2E4V1
Maturity Date	Jul 15, 2024	Feb 1, 2022
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%
Coupon	5.125%	6.75%

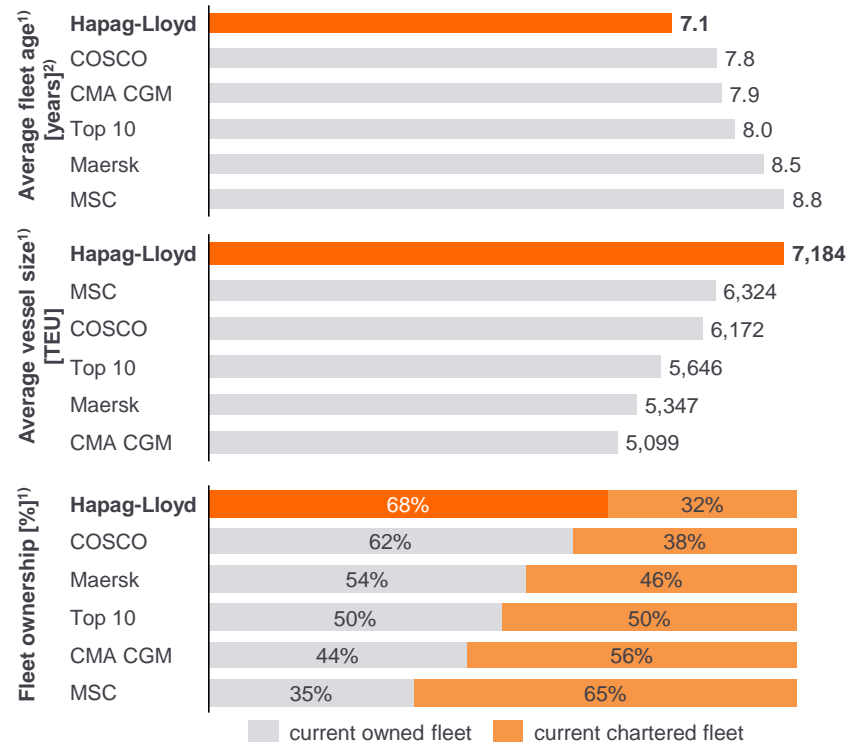
Commercial integration of UASC completed only five months after closing

Timeline of UASC merger and integration



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

Young and fuel-efficient fleet

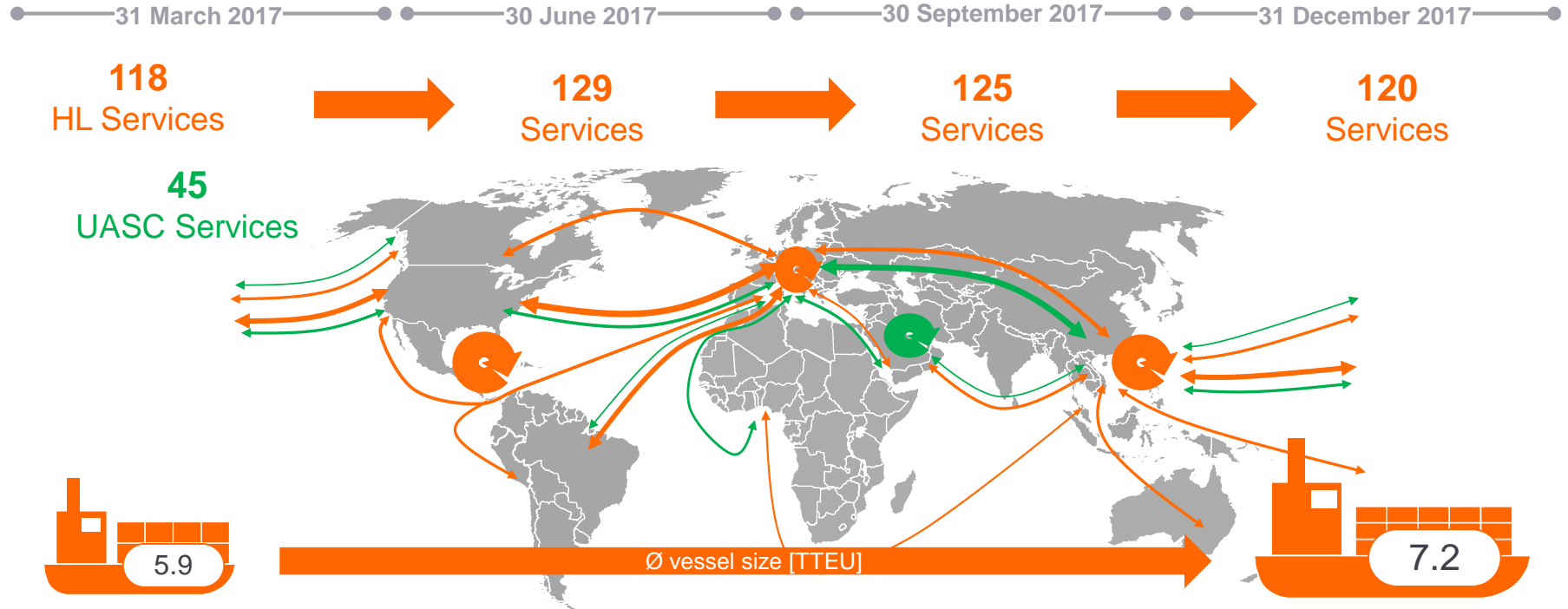


Vessel fleet (31 December 2017)

Vessel	Owned ³⁾	Chartered	Current fleet
>14,000 TEU			
TEU Vessels	284,143 17	- -	284,143 17
10,000 – 14,000 TEU²⁾			
TEU Vessels	305,876 24	71,201 7	377,077 31
8,000 – 10,000 TEU			
TEU Vessels	243,614 28	134,919 15	378,533 43
6,000 – 8,000 TEU			
TEU Vessels	108,327 15	64,789 10	173,116 25
4,000 – 6,000 TEU			
TEU Vessels	84,558 19	120,341 23	204,899 42
2,300 – 4,000 TEU			
TEU Vessels	33,800 11	94,841 32	128,641 43
<2,300 TEU			
TEU Vessels	3,918 2	23,050 16	26,968 18
Capacity [TEU]	1,064,236	509,141	1,573,377
Vessels	116⁴⁾	103	219⁴⁾

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

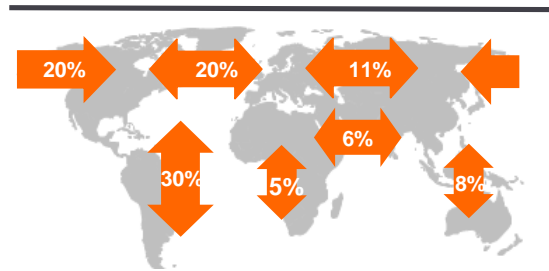
Network optimization in 2017



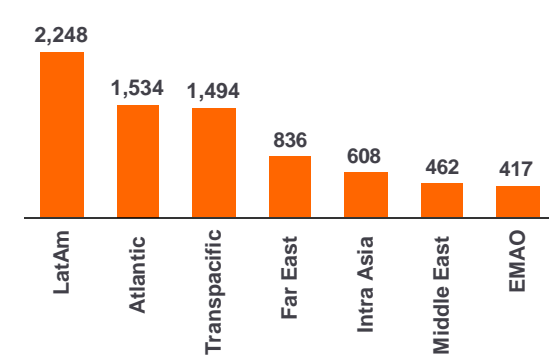
Trade portfolio optimization – Enhanced market presence in attractive Middle East trade and solid position in all other trades

Transport volume by trade

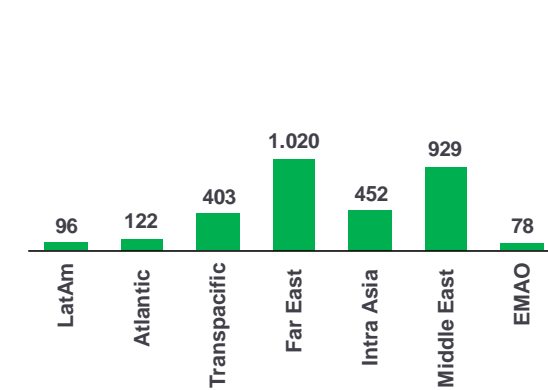
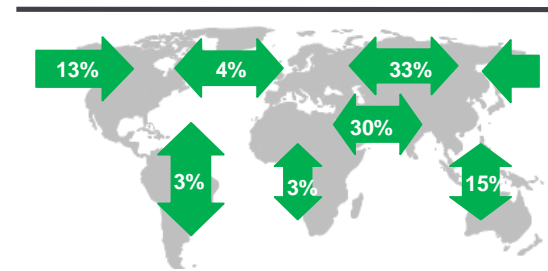
Hapag-Lloyd FY 2016



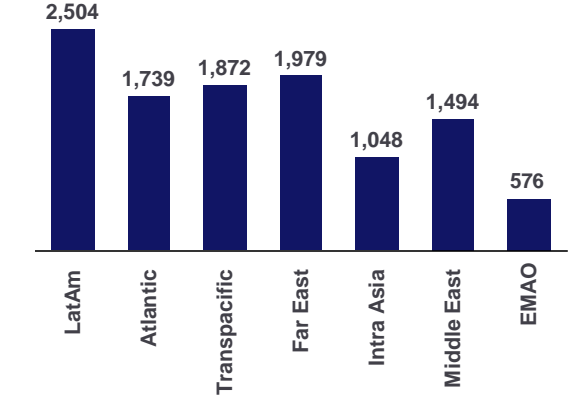
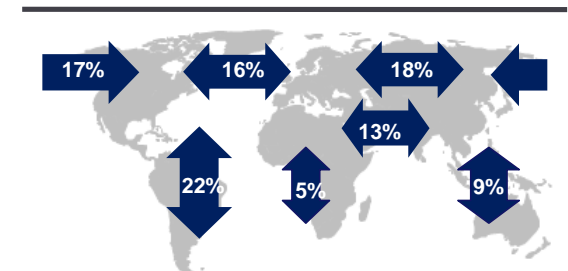
[in TTEU]



UASC FY 2016¹⁾



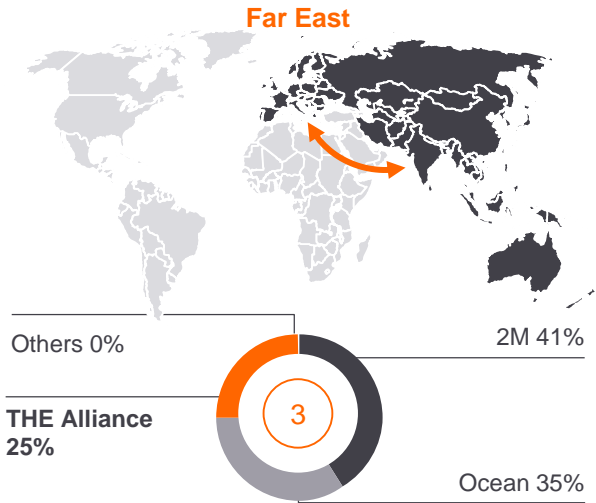
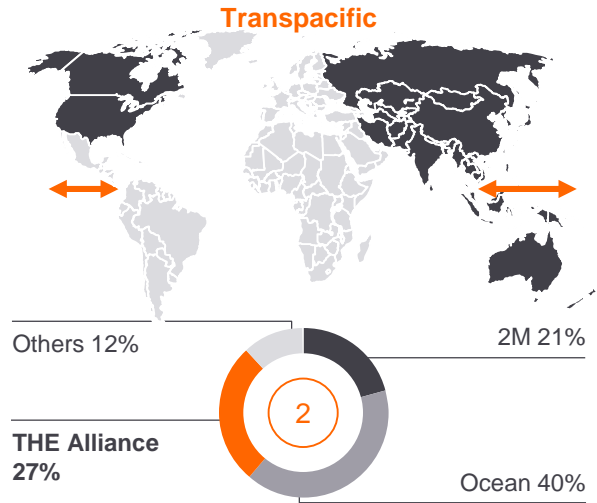
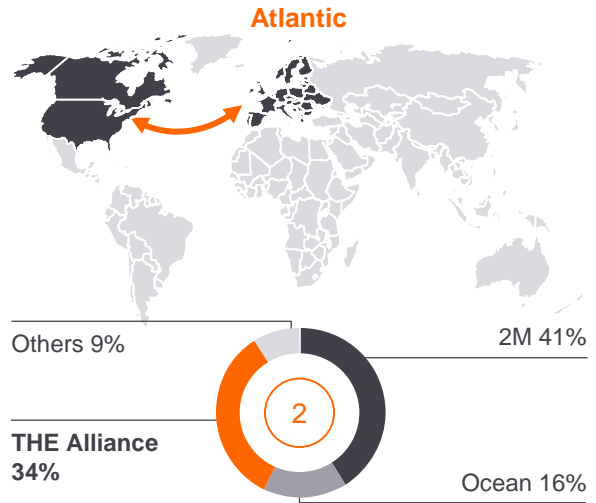
Combined Entity Pro-forma FY 2017



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

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

HAMBURG SÜD

MSC

HMM¹⁾

Ocean Alliance

CMA CGM

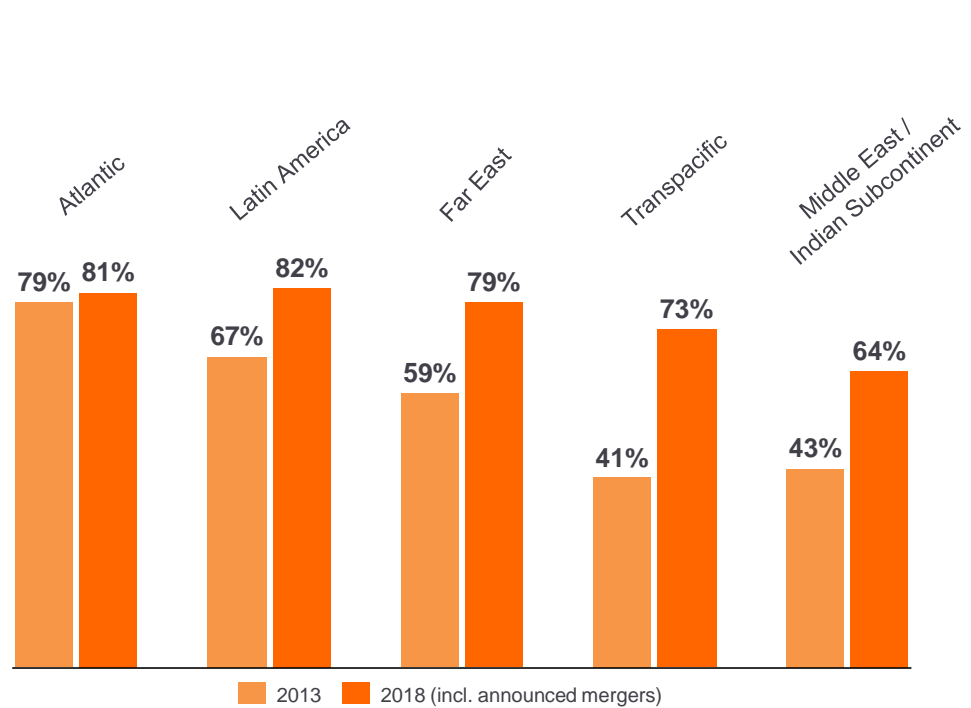
OOCL

Hapag-Lloyd

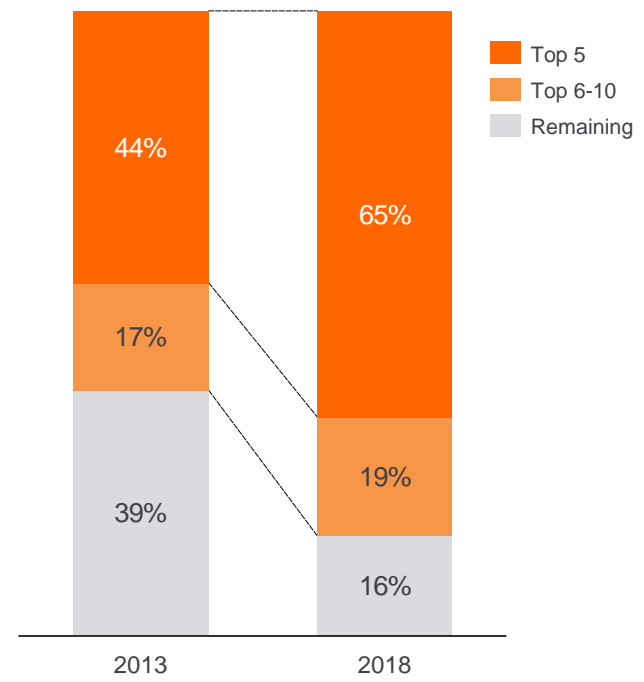
Green Cross

On important trades TOP 5 players now make up more than 64% capacity share

TOP 5 concentration on individual trades (2013 versus 2018)



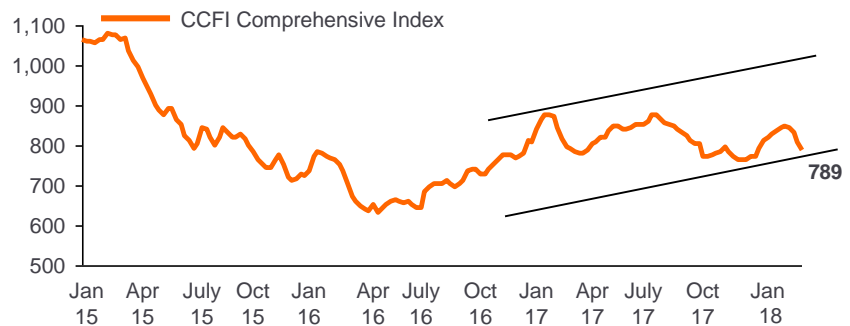
Global capacity share [%]



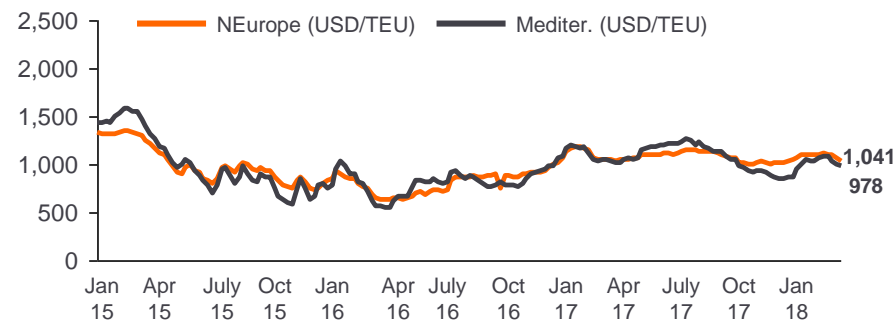
Note: Diagram assuming that all currently announced mergers (COSCO & OOCL; NYK & MOL & K-Line) will receive regulatory approvals and are executed as announced. Simple sum of stand-alone operating capacity as of February 2018.

Contracted freight rates have shown continuous recovery and slightly less volatility

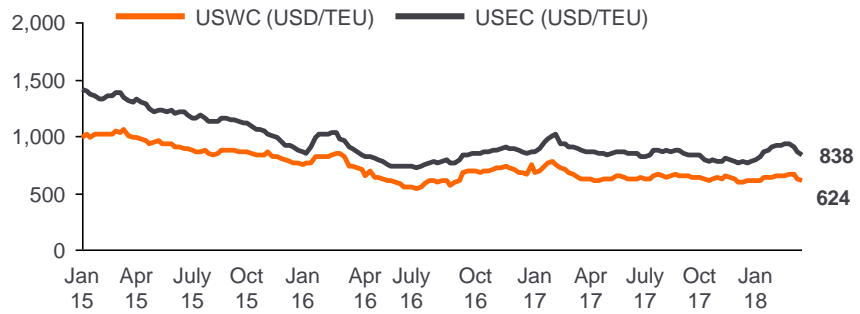
Comprehensive Index (CCFI)



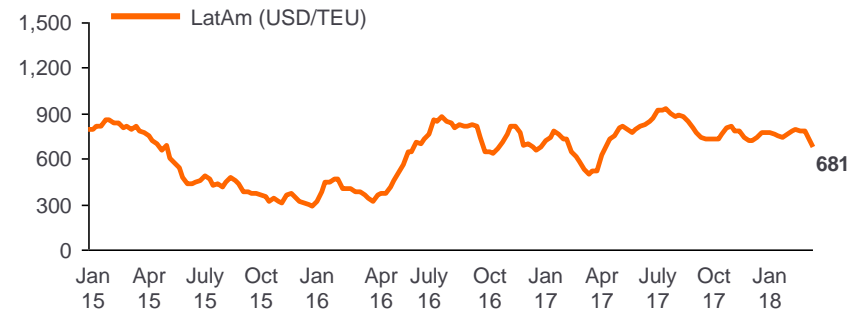
Shanghai – Europe (CCFI)



Shanghai – USA (CCFI)

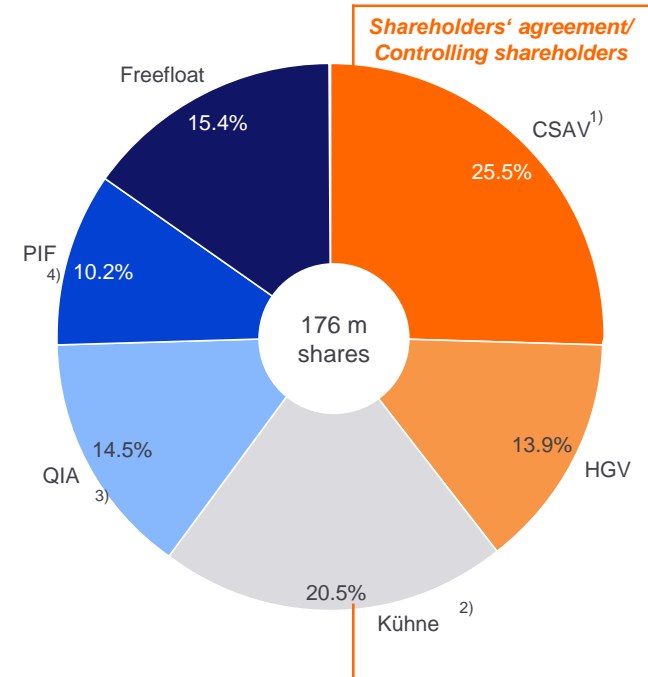


Shanghai – Latin America (CCFI)



Capital increase successfully completed – Key terms of the rights issue

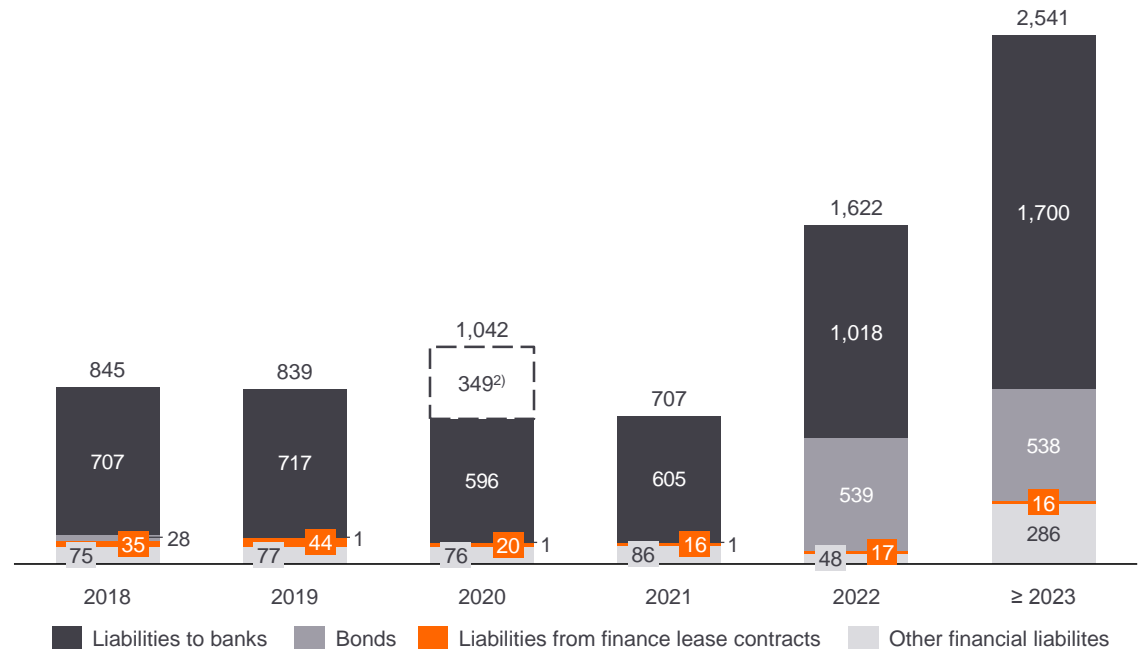
Offer size	– 11,717,353 new shares (c. 7.1 % of current share capital), resulting in EUR 351.5 m of gross proceeds
Subscription price	– EUR 30 per share (17.8 % discount to XETRA closing price as of 27 September 2017, 16.8 % discount to TERP)
Use of proceeds	– Repayment of existing indebtedness, with any remainder to be used for general corporate purposes
Listing	– Regulated market of Frankfurt Stock Exchange (Prime Standard) and the regulated market of the Hamburg Stock Exchange
Distribution	– 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	– 96%



Solid long-term and diversified financing portfolio

Debt maturity profile [USD m]

Facility	USD m
EUR Bond 2022	539
EUR Bond 2024	538
Other	30
Total Bonds	1,107
Total liabilities from finance lease contracts	148
Total other financial liabilities	648
Vessel financings	3,752
Container financings	857
ABS programme	349
Other	734
Total liabilities to banks¹⁾	5,692
Total financial liabilities	7,596
Average interest	~5%



1) Liabilities to banks comprise loans to finance existing fleet of vessels and containers and include the ABS programme 2) ABS programme prolonged until 2020

Hapag-Lloyd with equity ratio of 40.9%

Balance sheet [USD m]

	31.12.2017	31.12.2016
Assets		
Non-current assets	15,146.1	10,267.4
of which fixed assets	15,071.1	10,183.3
Current assets	2,630.8	1,698.0
of which cash and cash equivalents	725.2	602.1
Total assets	17,776.9	11,965.4
Equity and liabilities		
Equity	7,263.3	5,341.7
Borrowed capital	10,513.6	6,623.7
of which non-current liabilities	7,197.8	3,836.7
of which current liabilities	3,315.8	2,787.0
of which financial debt	7,595.5	4,414.9
thereof		
Non-current financial debt	6,750.6	3,448.4
Current financial debt	844.9	966.5
Total equity and liabilities	17,776.9	11,965.4

Financial position [USD m]

	31.12.2016	31.12.2016
Cash and cash equivalents	725.2	602.1
Financial debt	7,595.5	4,414.9
Net debt	6,811.7	3,793.1
Unused credit lines	545.0	200.0
Liquidity reserve	1,270.2	802.1
Equity	7,263.3	5,341.7
Gearing (net debt / equity) (%)	71.0%	71.0%
Equity ratio (%)	40.9%	44.6%

Hapag-Lloyd with positive EBITDA of USD 1,198 m

Income statement [USD m]

	FY 2017	FY 2016	% change
Revenue	11,286.2	8,545.5	32%
Other operating income	149.9	107.3	40%
Transport expenses	-9,039.1	-7,031.6	29%
Personnel expenses	-770.8	-548.1	41%
Depreciation, amortization & impairment	-732.0	-531.4	38%
Other operating expenses	-493.2	-426.7	16%
Operating result	401.0	114.9	249%
Share of profit of equity-acc. investees	43.1	30.0	44%
Other financial result	22.0	-5.2	n.m.
Earnings before interest & tax (EBIT)	466.1	139.7	n.m.
EBITDA	1,198.1	671.1	79%
Interest result	-403.5	-220.8	83%
Income taxes	-27.3	-21.8	25%
Group profit / loss	35.3	-102.9	n.m.

Transport expenses [USD m]

	FY 2017	FY 2016	% change
Expenses for raw materials & supplies	1,339.6	760.0	76%
Cost of purchased services	7,699.5	6,271.6	23%
Thereof			
Port, canal & terminal costs	3,929.5	2,929.8	34%
Chartering leases and container rentals	944.2	1,033.0	-9%
Container transport costs	2,530.0	2,098.3	21%
Maintenance/ repair/ other	295.8	210.5	41%
Transport expenses	9,039.1	7,031.6	29%

Transport expenses per TEU [USD m]

	FY 2017	FY 2016	% change
Expenses for raw materials & supplies	136.7	100.0	37%
Cost of purchased services	785.4	825.3	-5%
Thereof			
Port, canal & terminal costs	400.9	385.5	4%
Chartering leases and container rentals	96.3	135.9	-29%
Container transport costs	258.1	276.1	-7%
Maintenance/ repair/ other	30.2	27.7	9%
Transport expenses	922.1	925.3	0%

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