

Investor Presentation

H1 2018 Results

Hamburg, 10 August 2018



Opening Remarks

-
- 01** | **Highlights**
- Positive EBIT of USD 107 m in tough market environment
 - UASC synergies on track
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- 02** | **Sector Update**
- Stable demand despite rising geopolitical risks
 - Sector fundamentals remain favourable in the midterm
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- 03** | **Financials**
- Positive EBITDA of USD 515 m in H1 2018 (USD 397 m in H1 2017)
 - Good operating cash flow of USD 498 m (USD 332 m in H1 2017)
-
- 04** | **Way Forward**
- Continue to deliver on synergies and improve profitability
 - Finalize our new strategy after 3 years of successful acquisition and integration

Financial Highlights H1 2018:

Half-year results driven by challenging market environment

Transport volume

+38.5%

H1 2018: TEU 5.8 m

Pro forma
+3.9%

Transport expenses per TEU

-2.2%

H1 2018: 934 USD/TEU

Freight rate

-4.2%

H1 2018: 1,020 USD/TEU

Pro forma
+3.0%

EBIT

USD 107 m

1.6% EBIT margin

EBITDA

USD 515 m

7.8% EBITDA margin

Group loss

USD 122 m

1.3% ROIC

Equity

USD 7.2 bn

Liquidity reserve

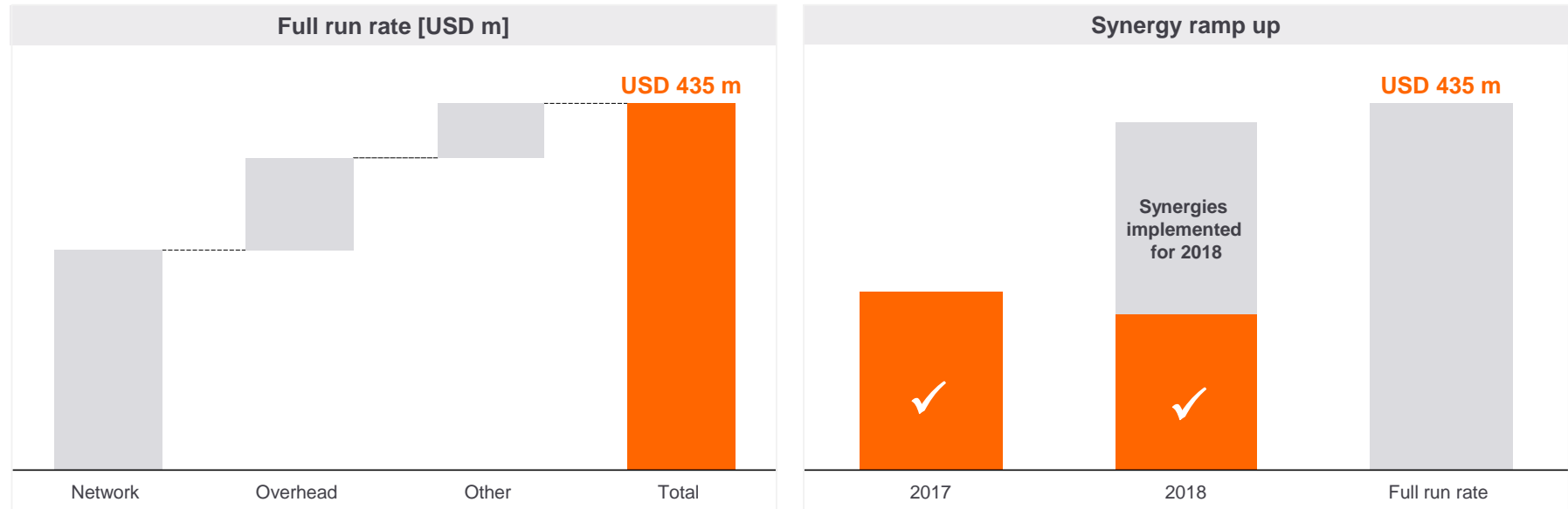
USD 1.2 bn

Net debt

USD 6.5 bn

Total synergies of USD 435 m p.a. from 2019 onwards confirmed – Synergy realisation going as planned

Synergy potential

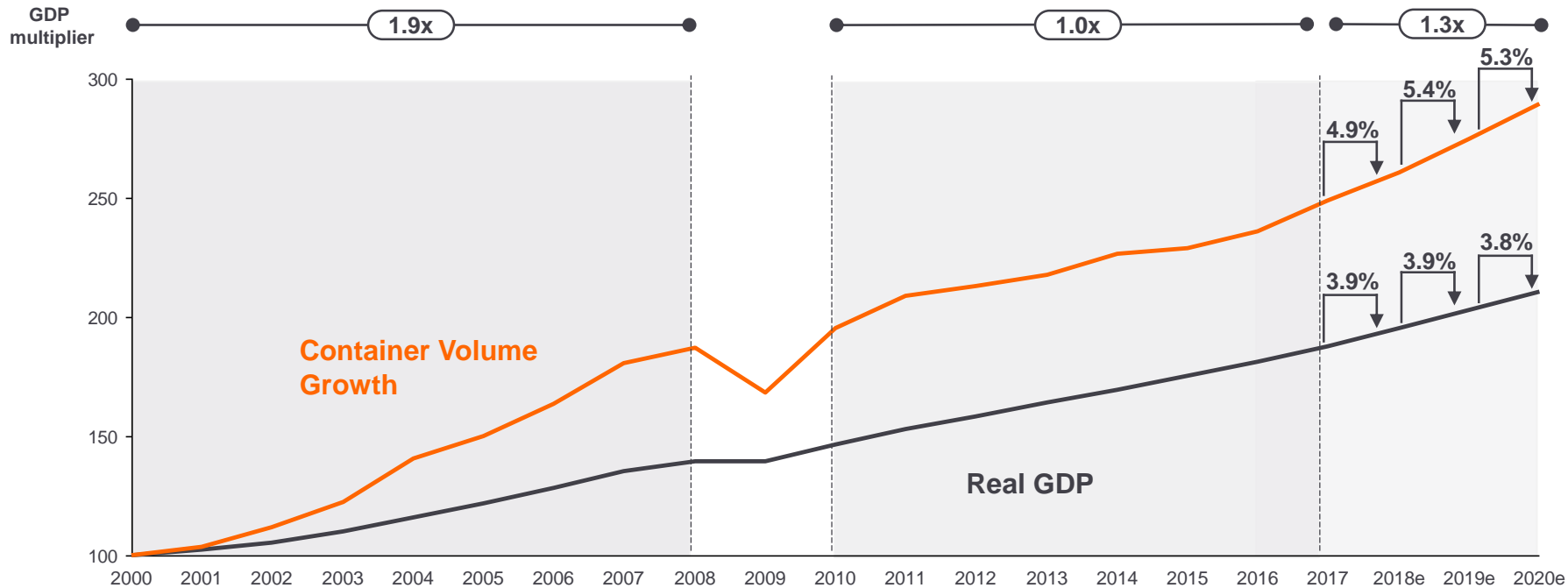


- Up to **90% of full run rate** expected to be realized in 2018
- **Visibility of synergies in P&L in H1 2018 is limited** due to counter effects in other cost items

Container shipping growth on a healthy and normalized level driven by a solid global economic growth...

Global Container Volume Growth & Real GDP Growth [%]

2000 = Indexed to 100



1) Average for the period.

Source: IHS (June 2018), IMF WEO (April / July 2018)

...but geopolitical risk rises mainly due to conflicts between major economic players

Volume Development of Main Trade Lanes

[mTEU in 2018e; in brackets: \emptyset growth rate¹⁾ 2018e – 2023e]



Atlantic Trade:

- US imposed tariffs on steel and aluminum → less than 3% of total container trade from EU to US is affected²⁾
- Retaliatory tariffs from the EU → less than 6% of total container trade from US to EU is affected²⁾
- Ongoing negotiations, first agreements have been made between Trump and Juncker

Transpacific Trade:

- US imposed tariffs on USD 50 bn of Chinese products → up to 13% of total container trade from CN to US is affected²⁾
- Retaliatory tariffs from China worth the same amount → up to 48% of total container trade from US to CN is affected²⁾

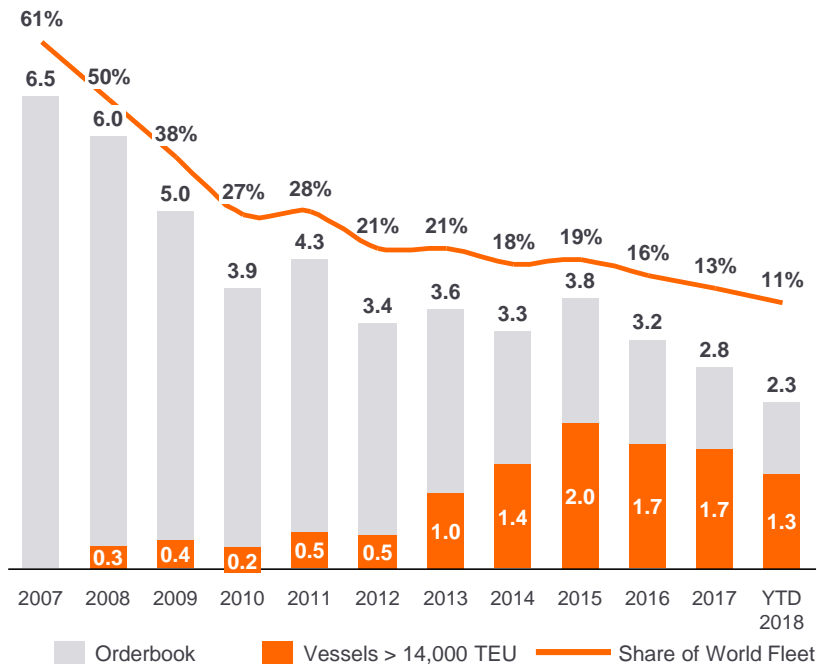
Still under review: US import tariffs on Chinese products worth USD 200 bn and possible retaliation of China

➔ **Around 2% of total world container trade** (TEU 148m in 2018e) currently **affected by tariffs** – going forward remains to be seen

Supply: Orderbook remains relatively low with new orders on a reasonable level and very low idle fleet

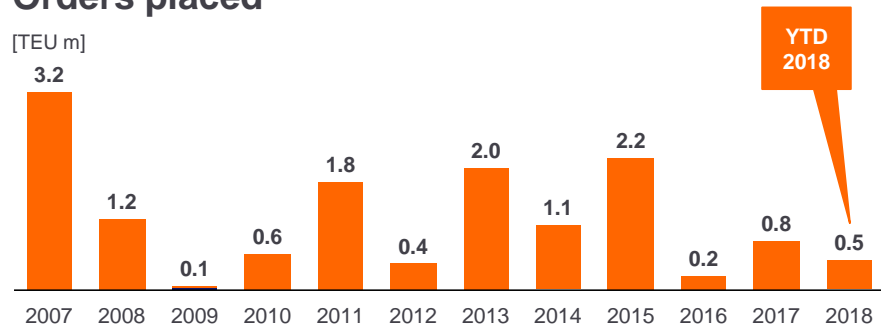
Orderbook-to-fleet

[TEU m, %]



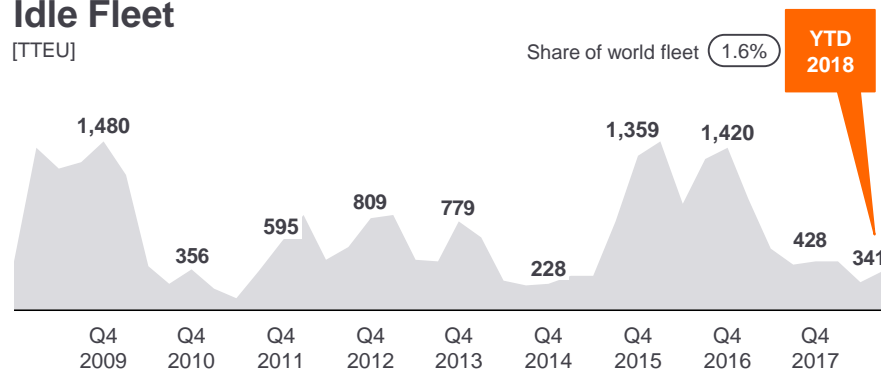
Orders placed

[TEU m]



Idle Fleet

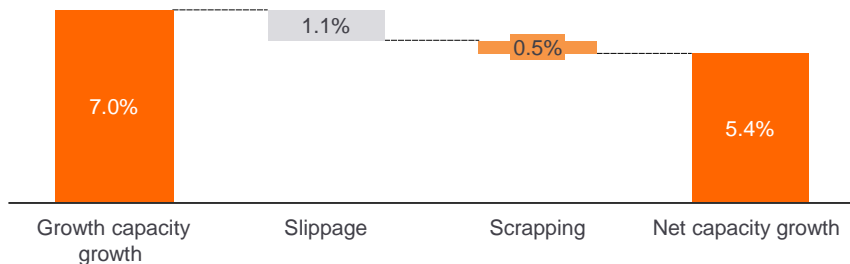
[TTEU]



Even though, short term supply pressure will most likely persist, mid-term supply/demand balance further improving

Net Capacity Growth 2018e

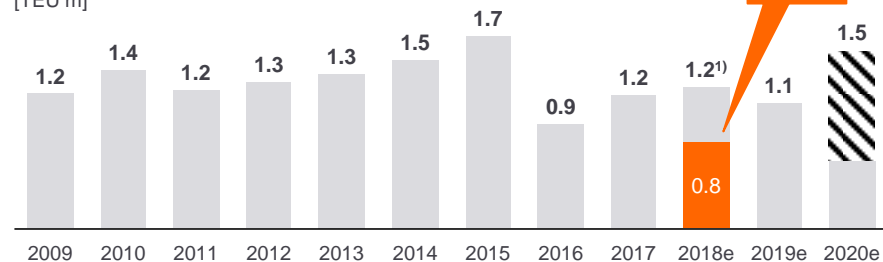
[in % of worldfleet]



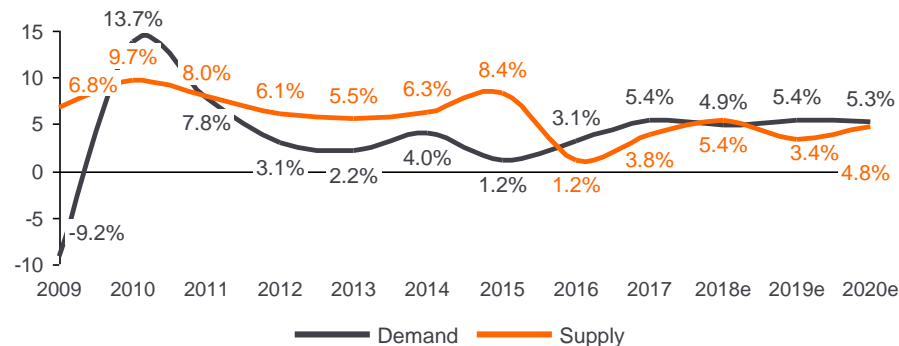
- Drewry has revised its forecast for net capacity growth in 2018. Market analysts **now expects scrapping at a much lower rate** (from 1.8% to 0.5% of the current world fleet). Slippage remained unchanged.
- For 2020E, up to TEU 1 m out of TEU 1.5 m scheduled deliveries are not yet reflected in the current order book of TEU 2.3 m. To be delivered in 2020, vessels will have to be ordered in the beginning of H2 2018.

Scheduled vessel deliveries

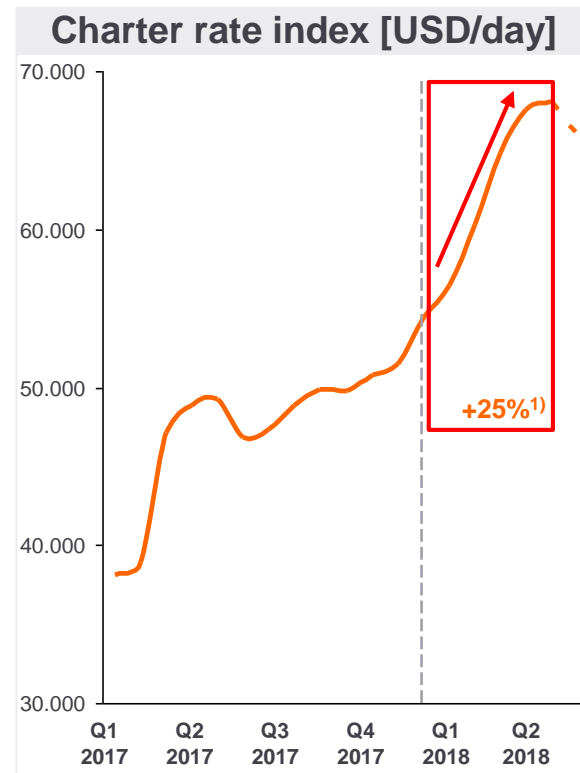
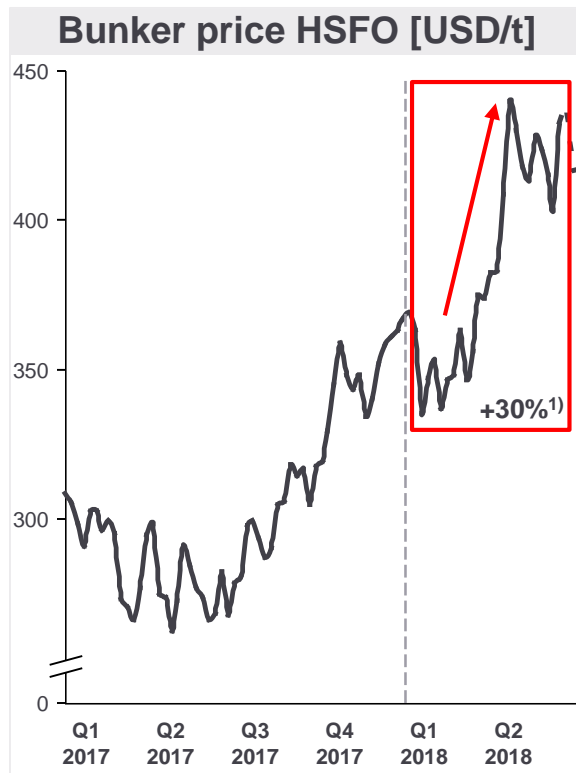
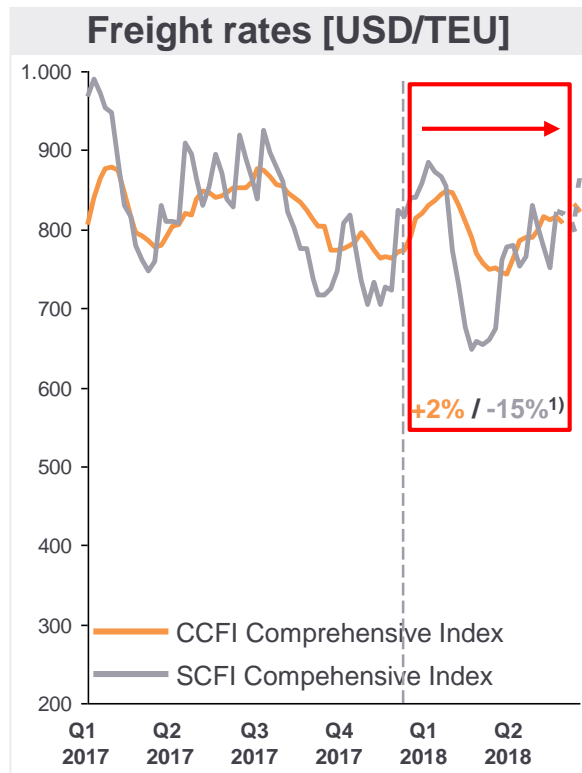
[TEU m]



Supply / Demand Balance



Operational costs peaked in Q2, while freight rate development is rather flat



Positive EBITDA of USD 515 m in the first six months of 2018

Operational KPIs

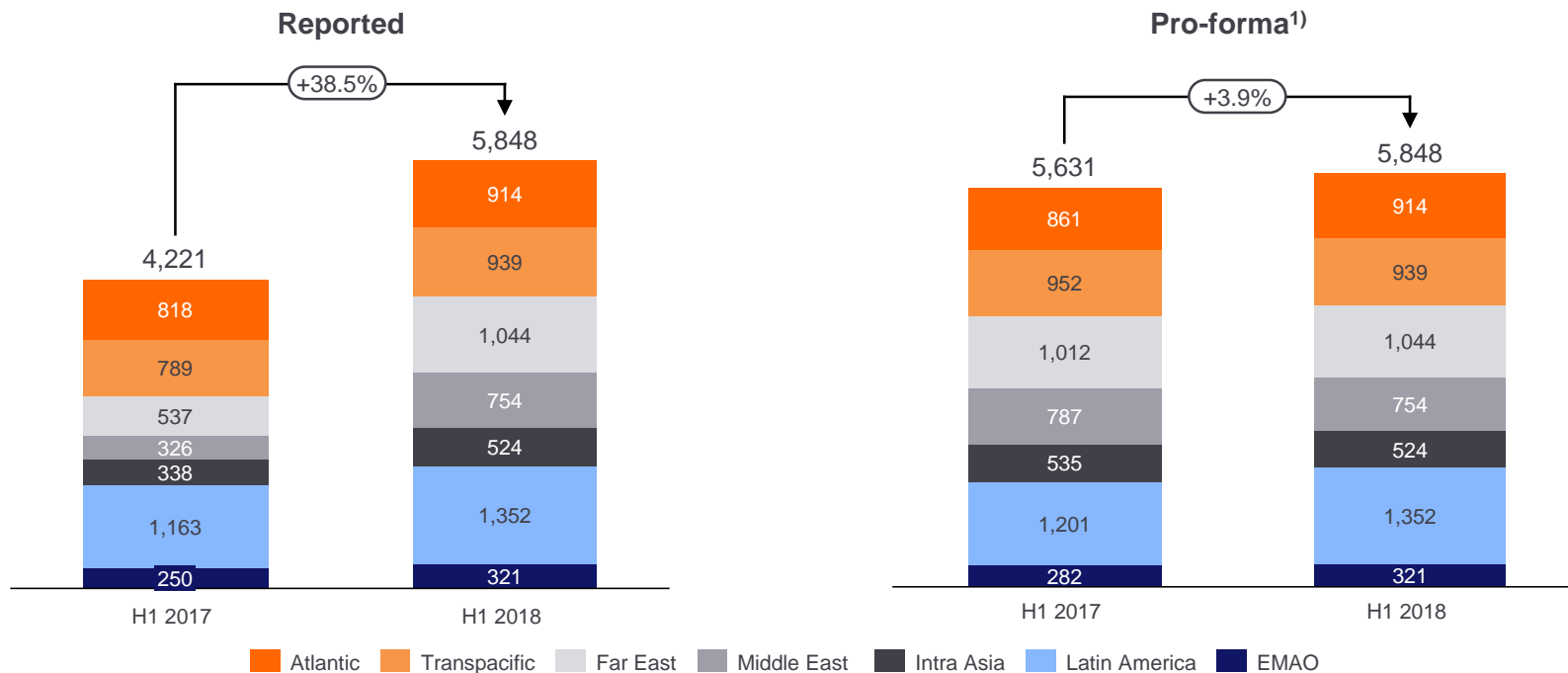
	Q2 2018	Q2 2017	YoY	H1 2018	H1 2017	YoY
Transport volume [TTEU]	2,987	2,287	+31%	5,848	4,221	+39%
Freight rate ¹⁾ [USD/TEU]	1,010	1,072	-6%	1,020	1,065	-4%
Bunker [USD/mt]	399	312	+28%	385	312	+23%
Exchange rate [USD/EUR]	1.19	1.10	n.m.	1.21	1.08	n.m.
Revenue [USD m]	3,352	2,629	+27%	6,569	4,900	+34%
EBITDA ²⁾ [USD m]	245	253	-3%	515	397	+30%
EBITDA margin ²⁾	7.3%	9.6%	-2.3ppt	7.8%	8.1%	-0.3ppt
EBIT ²⁾ [USD m]	41	92	-55%	107	100	+7%
EBIT margin ²⁾	1.2%	3.5%	-2.3ppt	1.6%	2.0%	-0.4ppt
Group profit ²⁾ [USD m]	-80	17	n.m.	-122	-45	n.m.

Note: 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. USD figures as stated in the Investor Report H1 2018. 1) For 2018, local revenues were included in the calculation of freight rates. Previous year's figures adjusted accordingly.

2) Due to retrospective application of the provisions for designated options, previous year's figures have been adjusted.

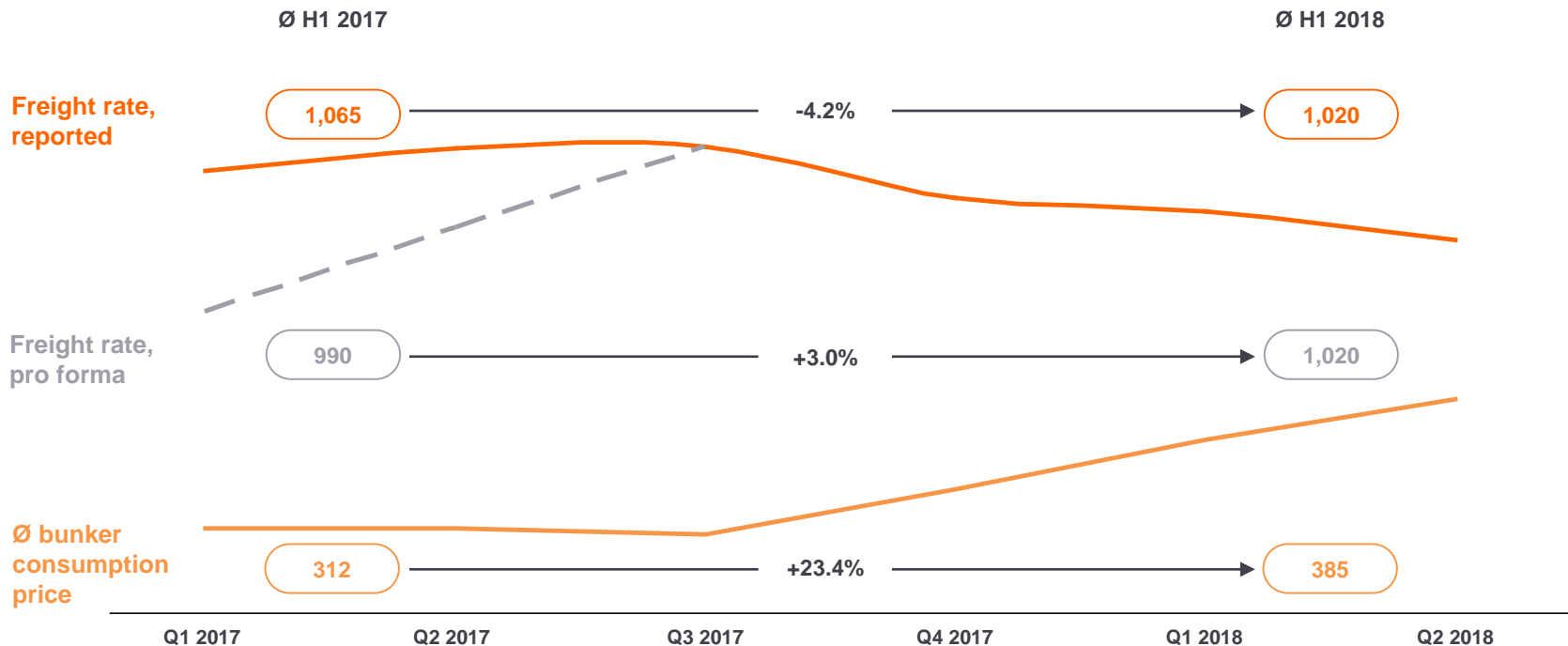
Solid transport volume growth of 38.5% YoY due to UASC merger – Pro-forma transport volume grew by 3.9% YoY

Transport volume [TEU m]



On a Pro-Forma basis rates have increased by 3.0% YoY, Reported rates were down by 4.2% YoY

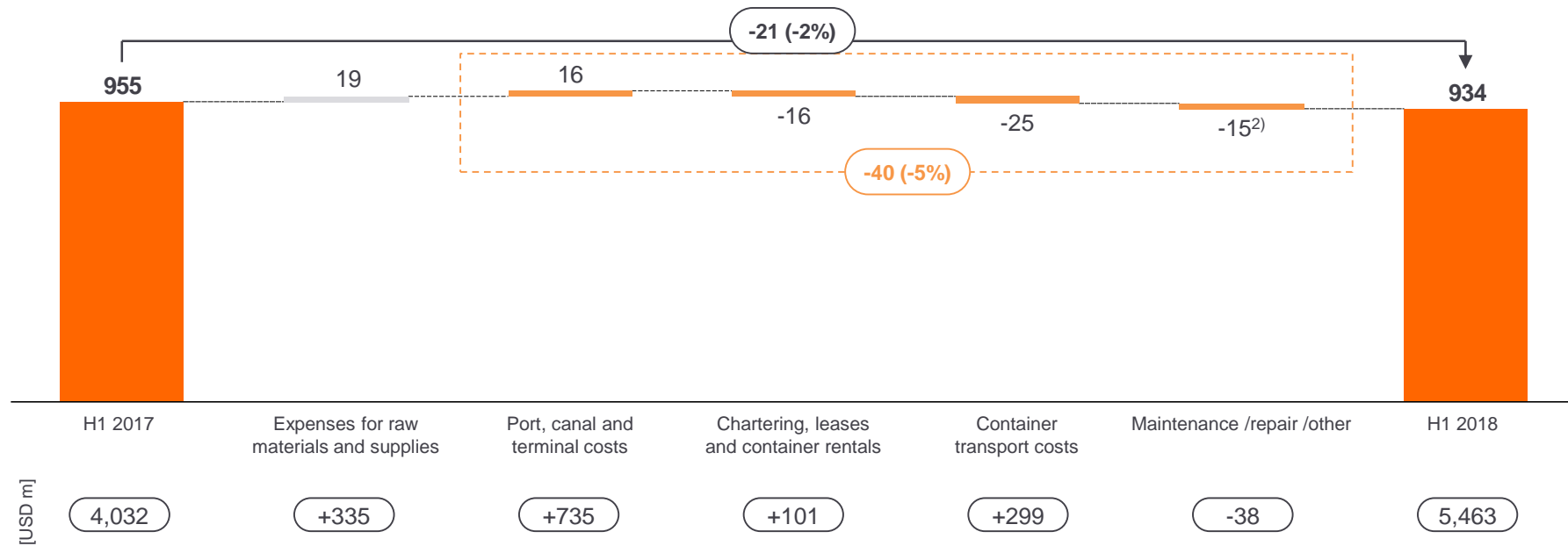
Freight rate [USD/TEU] vs. Bunker price development [USD/mt]



Note: Due to the inclusion of UASC in the Hapag-Lloyd Group from the first-time consolidation date of 24 May 2017, figures provided can only be compared with those of the previous year to a limited extent. The figures for the first quarter of 2017 relate to Hapag-Lloyd only and do not include the UASC Group. For the financial year 2018, local revenues were included in the calculation of freight rates. The previous year's figures have been adjusted accordingly. 1) Assuming UASC Group has been included since 1 January 2016

Higher expenses for raw materials and supplies were offset by cost-cutting programmes and synergies from the UASC integration

Transport expenses per TEU [USD/TEU]

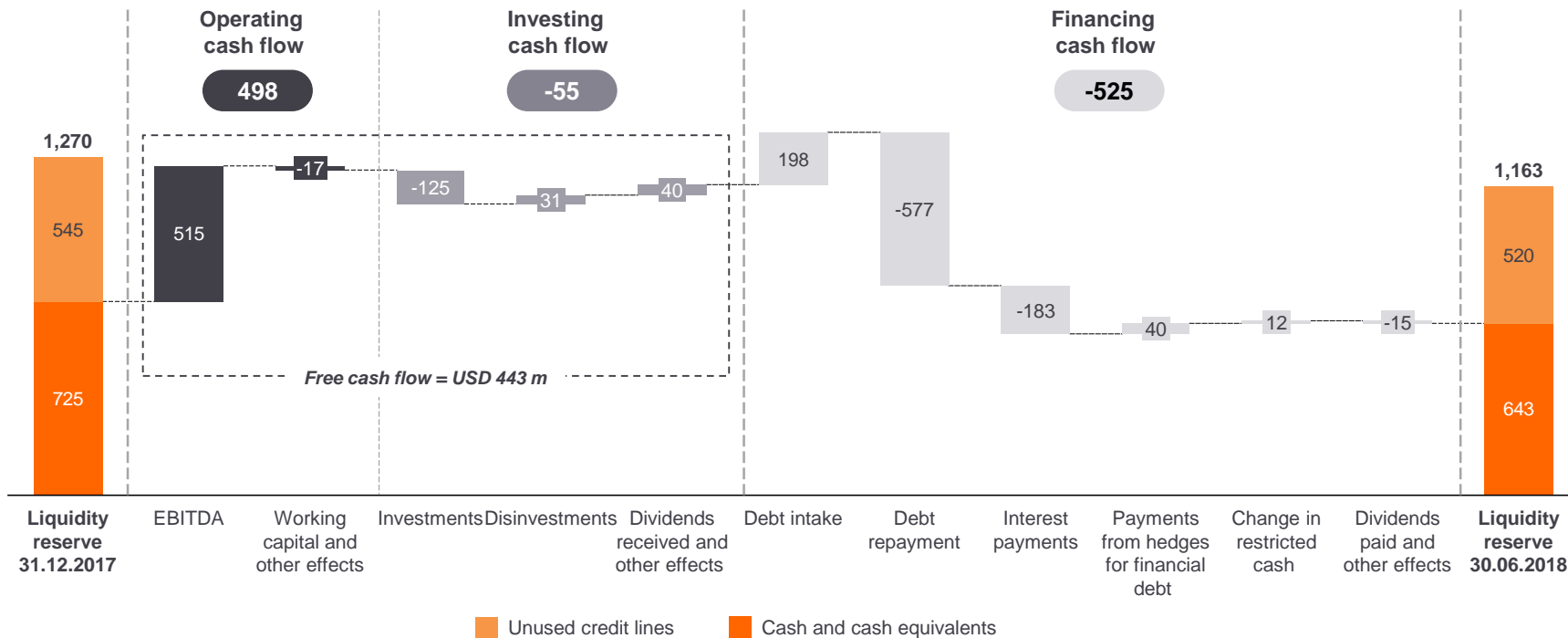


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1) Cost of purchased services H1 2018: 777 USD/TEU
 2) Mainly explained by currency effects predominantly booked in other

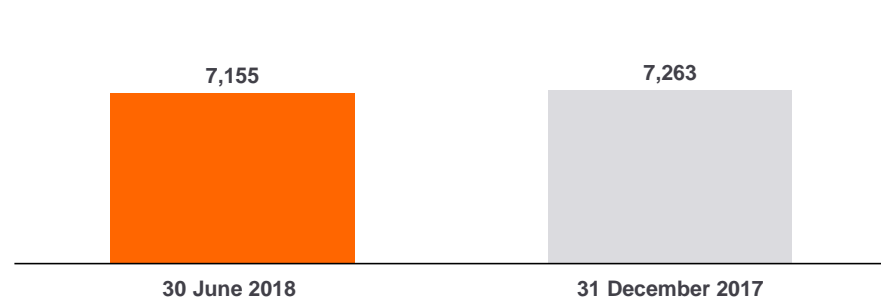
Good free cash flow of USD 443 m in H1 2018 driven by a solid operating result (EBITDA) and limited investment needs

Cash flow H1 2018 [USD m]

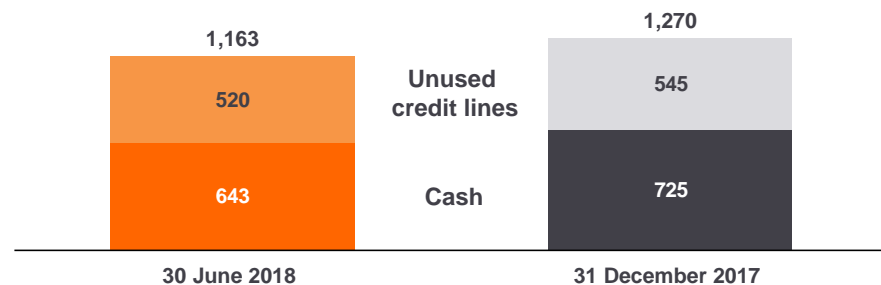


Stable equity base of USD 7.2 bn, solid liquidity reserve of USD 1.2 bn and further reduced financial debt in H1 2018

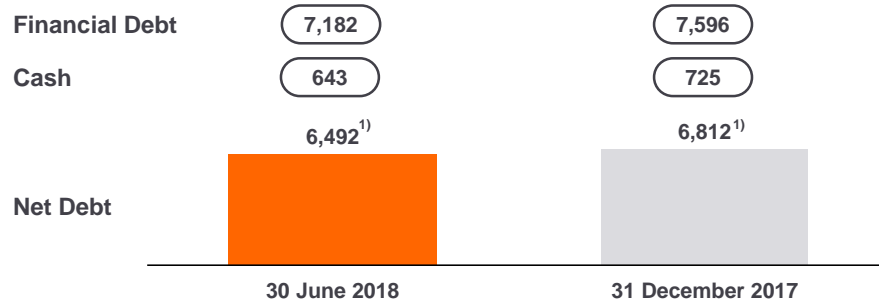
Equity base [USDm]



Liquidity reserve [USDm]









Net debt [USDm]



Comments

- Equity ratio almost unchanged at 41.0% and equity of USD 7.2 bn
- Liquidity reserve totals USD 1.2 bn as at 30 June 2018
- Further reduction of USD 414 m in financial debt since year-end 2017

Revised Outlook for 2018

	FY 2017	Outlook for 2018	Revised Outlook 2018	Sensitivities for 2018	
 Transport volume	9,803 TTEU	Increasing clearly	Increasing clearly	+/- 100 TTEU	+/- USD <0.1 bn
 Average freight rate	1,051 USD/TEU	On previous year's level	On previous year's level	+/- 40 USD/TEU	+/- USD ~0.5 bn
 Average bunker price	318 USD/mt	Increasing clearly	Increasing clearly	+/- 50 USD/mt	+/- USD ~0.2 bn
 EBITDA	EUR 1,055 m	Increasing clearly	EUR 900 m to EUR 1,150 m		
 EBIT	EUR 411 m	Increasing clearly	EUR 200 m to EUR 450 m		

Major targets for H2 and beyond:



Continue to **deliver on synergies** and deleverage the company over time



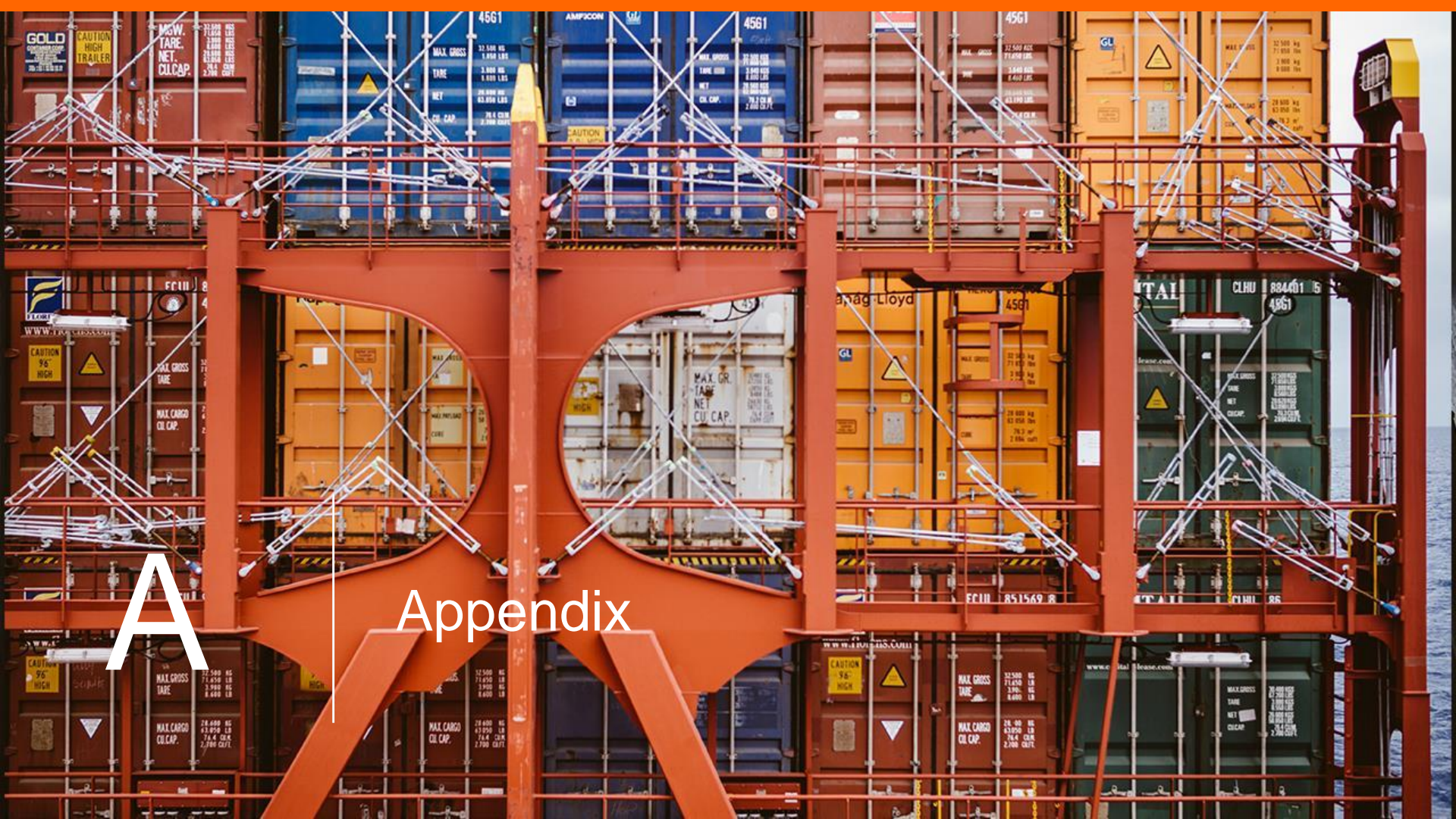
Develop and offer more **digitalized solutions** to the customer



Successful overcome **regulatory changes**, such as the IMO regulations



Finalization of our **new strategy**, after 3 years of successful acquisition & integration



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Appendix

Hapag-Lloyd with equity ratio of 41%

Balance sheet [USD m]

	30.06.2018	31.12.2017
Assets		
Non-current assets	14,818.4	15,146.1
of which fixed assets	14,756.4	15,071.1
Current assets	2,640.6	2,630.8
of which cash and cash equivalents	643.0	725.2
Total assets	17459.0	17,776.9
Equity and liabilities		
Equity	7,155.0	7,263.3
Borrowed capital	10,304.0	10,513.6
of which non-current liabilities	6,678.3	7,197.8
of which current liabilities	3,625.7	3,315.8
of which financial debt	7,182.2	7,595.5
thereof		
Non-current financial debt	6,260.6	6,750.6
Current financial debt	921.6	844.9
Total equity and liabilities	17,459.0	17,776.9

Financial position [USD m]

	30.06.2018	31.12.2017
Cash and cash equivalents	643.0	725.2
Financial debt	7,182.2	7,595.5
Restricted Cash	46.9	58.6
Net debt	6,492.3	6,811.7
Unused credit lines	520.0	545.0
Liquidity reserve	1,163.0	1270.2
Equity	7,155.0	7,263.3
Gearing (net debt / equity) (%)	90.7%	93.8%
Equity ratio (%)	41.0%	40.9%

Hapag-Lloyd with positive EBITDA of USD 514.9 m

Income statement [USD m]

	H1 2018	H1 2017	% change
Revenue	6,568.7	4,899.7	34%
Other operating income	55.9	114.3	-51%
Transport expenses	-5,463.3	-4,031.6	36%
Personnel expenses	-389.8	-373.3	4%
Depreciation, amortization & impairment	-407.5	-296.6	37%
Other operating expenses	-275.3	-232.2	19%
Operating result	88.7	80.3	10%
Share of profit of equity-acc. investees	18.7	19.9	-6%
Other financial result	0.0	0.2	n.m.
Earnings before interest & tax (EBIT)	107.4	100.4	7%
EBITDA	514.9	397.0	30%
Interest result	-209.1	-132.0	58%
Income taxes	-20.6	-13.0	58%
Group profit / loss	-122.3	-44.6	174%

Transport expenses [USD m]

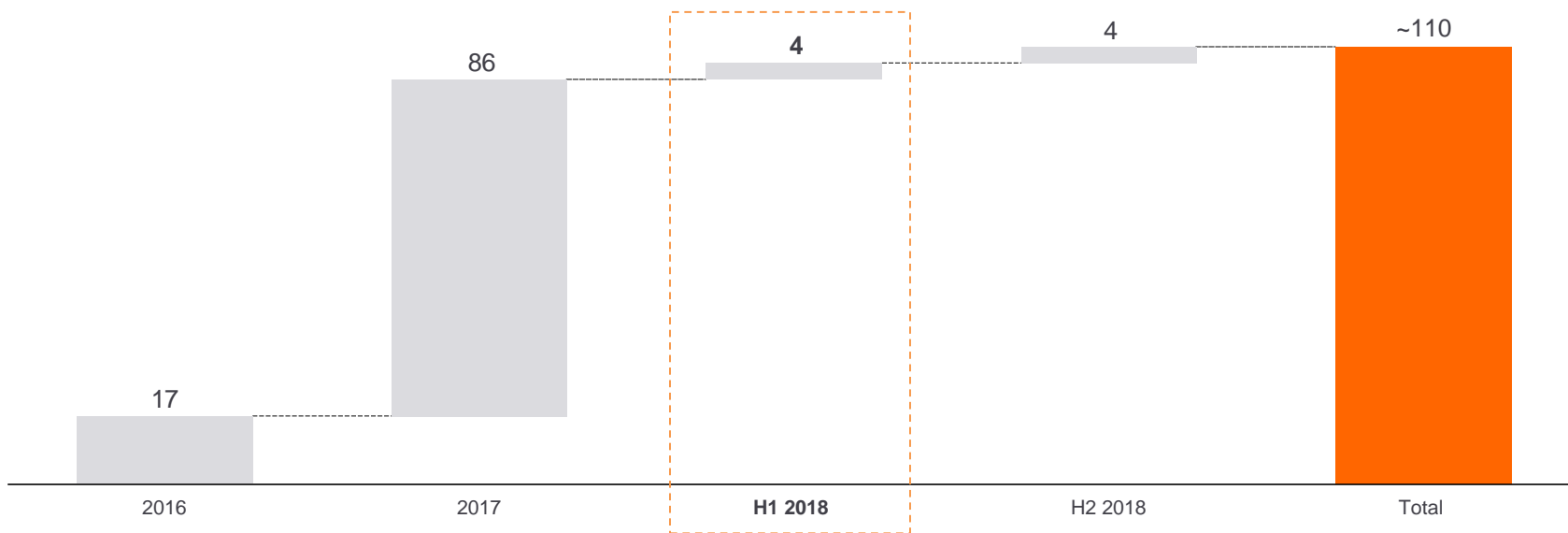
	H1 2018	H1 2017	% change
Expenses for raw materials & supplies	918.0	583.3	57%
Cost of purchased services	4,545.3	3,448.3	32%
Thereof			
Port, canal & terminal costs	2,397.4	1,662.2	44%
Chartering leases and container rentals	597.0	496.4	20%
Container transport costs	1,453.9	1,155.1	26%
Maintenance/ repair/ other	97.0	134.6	-28%
Transport expenses	5,463.3	4,031.6	36%

Transport expenses per TEU [USD m]

	H1 2018	H1 2017	% change
Expenses for raw materials & supplies	157.0	138.2	14%
Cost of purchased services	777.3	816.9	-5%
Thereof			
Port, canal & terminal costs	410.0	393.8	4%
Chartering leases and container rentals	102.1	117.6	-13%
Container transport costs	248.6	273.6	-9%
Maintenance/ repair/ other	16.6	31.9	-48%
Transport expenses	934.3	955.1	-2%

H1 2018 generated one-off costs of USD 4 m related to the merger

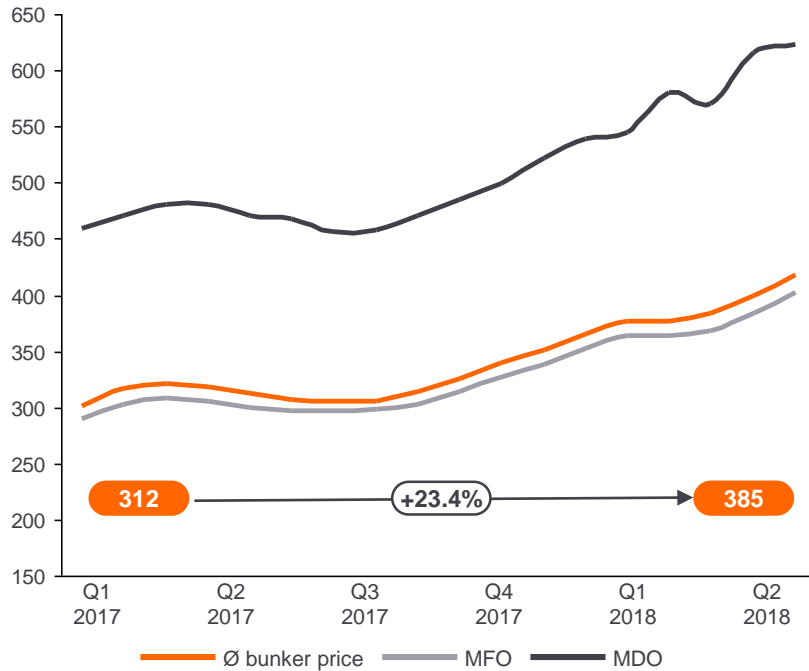
Transaction & integration related one-off costs [USD m]



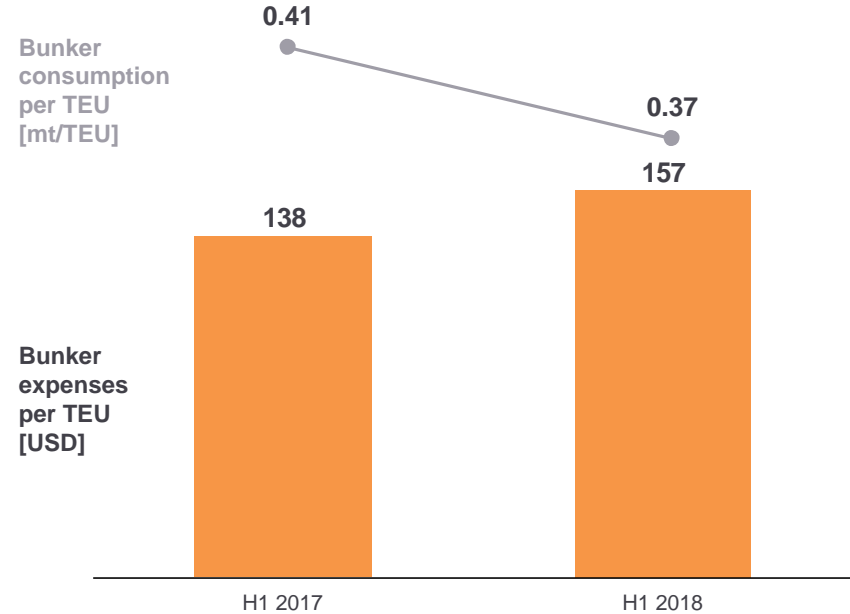
Note: Rounding differences may occur

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

Bunker consumption price [USD/mt]

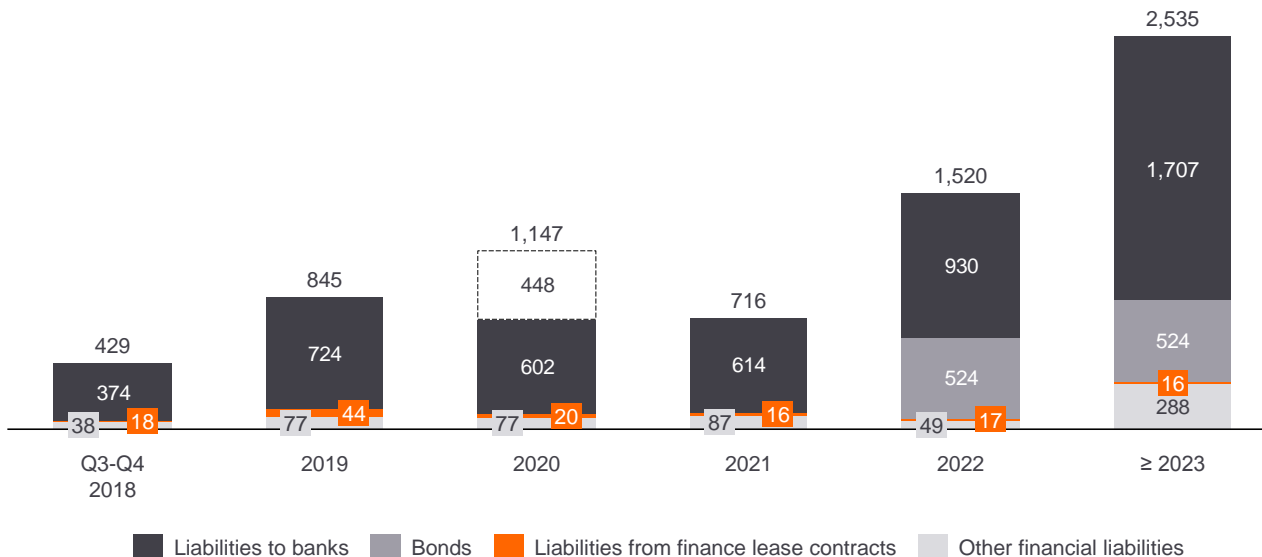


Bunker consumption & expenses



Solid long-term and diversified financing portfolio

Financial debt profile [USD m]



1) As of January 2018 financial debt profile has been changed to the statement of repayment amounts. Deviation from the total financial debt as shown in the balance sheet as per 30.06.2018 consist of transaction costs and accrued interest in the amount of USD 90.9 million 2) ABS programme prolonged until 2020

Financial Calendar 2018

February 28th, 2018	Preliminary Financials 2017	✓
March 28th, 2018	Annual Report 2017	✓
May 14th, 2018	Quarterly Financial Report Q1 2018	✓
July 10th, 2018	Annual General Meeting 2018	✓
August 10th, 2018	Halfyear Financial Report 2018	✓
November 8th, 2018	Quarterly Financial Report 9M 2018	

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