

Investor Presentation

Q1 2020 Result Presentation

Hamburg, 15 May 2020



Opening Remarks

1

Current situation

- Personal health of all land based staff and seafarers remains our number one priority
- Q1 volumes and rates in line with expectation, but first clearer effects on volumes can already be seen in Q2
- We have launched a Performance Safeguarding Program (PSP) including various cost measures

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Financials

- Solid operational performance in Q1 with only minor COVID-19 related effects
- IMO 2020 related higher bunker consumption prices and bunker stock devaluation weigh on earnings
- Due to the above, EBITDA 7% below previous year at USD 517 m; Free Cash Flow remains clearly positive

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Market update

- Demand situation remains highly fluid and uncertain, with further downgrades possible
- New orders remain limited and sharp increase in idle fleet reflects scrubber retrofits & extended void sailings
- Significant additional capacity measures needed to adjust net available capacity to the lower demand in 2020e

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Way forward

- Earnings outlook substantiated under the assumption of a gradual recovery in the second half of the year
- Outlook is based on the year to date performance and subject to considerable uncertainty
- Focus on implementation and execution of the Performance Safeguarding Program
- Continue to roll-out and execute our Strategy 2023 to mitigate delays in implementation

Good start to the year, but COVID-19 is increasingly affecting the shipping industry – magnitude and duration is difficult to assess



OUR TEAM

- The safety of all of our employees is our number one priority – protective measures continue to remain in place
- Majority of staff is working from home and master to deliver quality for our customers even under these difficult circumstances
- Crisis committee meets every 2nd day (focus: status & actions)
- Business continuity plans (BCP) regularly reviewed and available
- Business continuity risk levels tracked actively



OUR BUSINESS

- Q1 closed with a solid operational performance (EBIT of USD 176 m)
- Volumes and average freight rate developed in line with our expectations in Q1, first effects for ex-Asia relations visible in March
- Bunker prices highly fluctuating throughout the quarter – recently falling bunker prices resulted in a bunker stock devaluation of USD 64m
- Based on the data we see today the exact impact and duration of the slowdown is very uncertain – We are expecting a negative impact on volumes from May onwards



OUR ADDITIONAL MEASURES

- Performance Safeguarding Program (PSP) launched which includes cost measures with positive cash impact across all categories
- We have secured additional liquidity
- Investment plans are being re-evaluated
- We on-hired equipment in Asia and Europe to secure sufficient availability of boxes
- We keep track on the execution of our Strategy 2023 and gradually pick-up the relevant projects again to mitigate delays as much as possible

Solid operational performance in Q1 with only minor COVID-19 related effects – results negatively impacted by bunker volatility

Operational KPIs



Volume TTEU	3,053 (2,929)	» Volume grew by 4.3% YoY compared to PY. Weakening ex-Asia relations were compensated by strong LatAm and Middle East volumes
Rate USD/TEU	1,094 (1,079)	» Average freight rate increased by 1.4% YoY due to the MFR recovery mechanism and good revenue management
Bunker USD/mt	523 (425)	» Average bunker consumption price increased sharply by +98 USD/mt due to IMO transition phase and valuation effects at the end of the quarter

Balance sheet



Assets USD m	18,630 (18,182)	» Total assets increased by USD 448 m vs. 31.12 mainly due to RCF drawdown (USD 400 m) to secure an adequate cash position in the event of worsening market conditions
Fin. Debt USD m	7,584 (7,180)	» Increased by USD 405 m vs 31.12. almost entirely due to the use of revolving credit lines (USD 400 USD m)
Liquidity USD m	1,215 (1,159)	» Sufficient liquidity reserve of USD 1.2 bn available (cash USD 1,030 m + reserve USD 185 m)

P&L effects



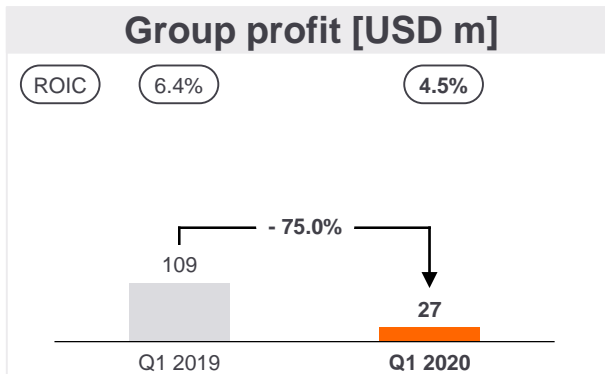
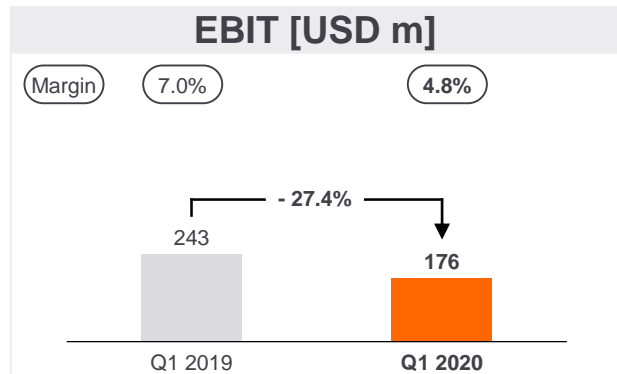
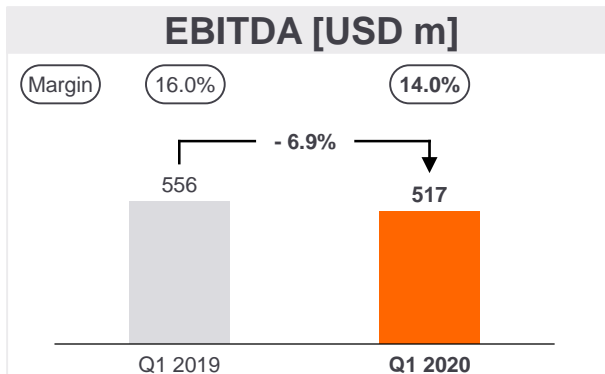
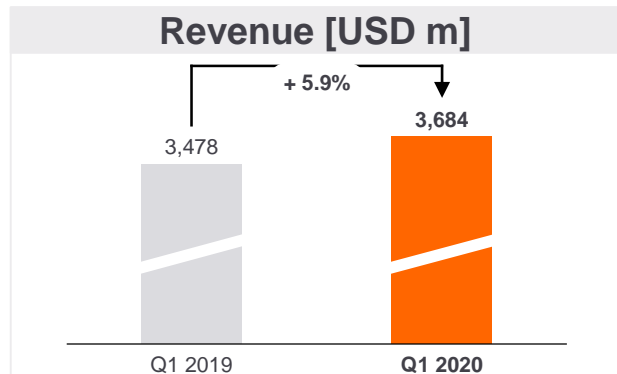
Revenue USD m	3,684 (3,478)	» Revenue increased by +5.9% YoY based on higher volumes and freight rates
EBITDA USD m	517 (556)	» EBITDA decline mainly driven by higher bunker consumption prices and bunker devaluation (USD -64 m) at the end of the quarter
EAT USD m	27 (109)	» Net profit additionally burdened by non-cash valuation of derivative financial instruments in the total amount of USD -37 m

Financial KPIs



FCF USD m	302 (455)	» Free Cash Flow clearly positive, YoY decrease mainly driven by higher working capital
Net debt / EBITDA	3.0x (3.0x)	» Net Leverage remains unchanged as compared to year end 2019
ROIC %	4.5% (6.4%)	» Return on Invested Capital turned out lower due to somewhat lower result compared to prior year

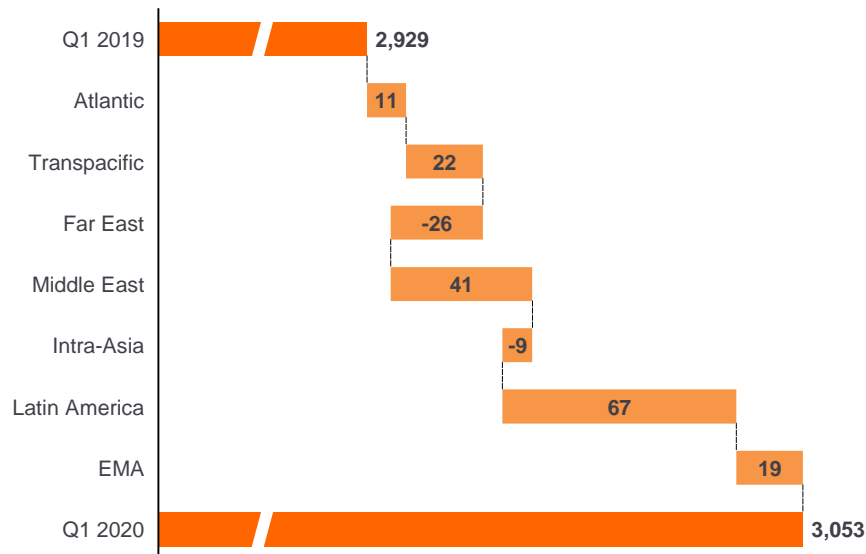
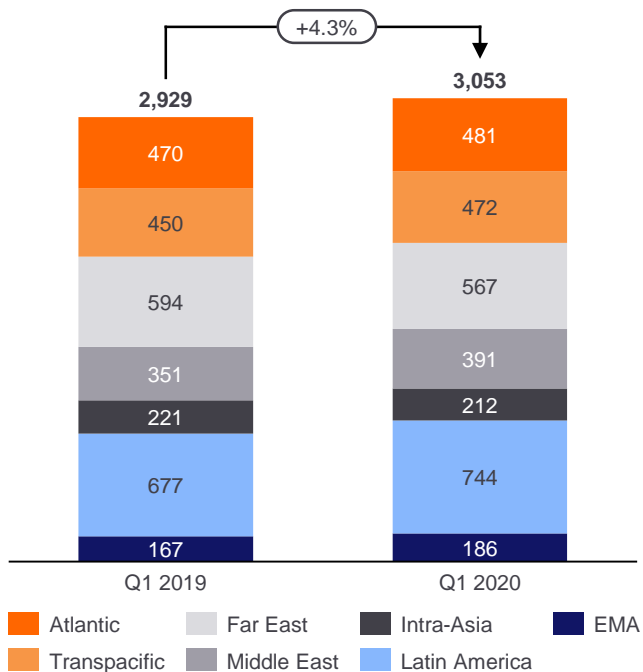
Good revenue development driven by higher volumes and rates – extraordinary charges weigh on Group profit



- Q1 revenue above previous year's level as a result of higher transport volumes (+4.3%) and slightly higher freight rates (+1.4%)
- Operational results (EBITDA and EBIT) impacted by higher bunker consumption prices (+23% or +98 USD/mt to 523 USD/mt)
- Rapid drop in oil prices at the end of Q1 lead to an extraordinary charge of USD 64 m as bunker stocks had to be devalued to market value
- Without the devaluation of bunker stocks, EBIT would have been roughly at previous year's level
- Group profit additionally affected by devaluation of embedded bond option (USD -28 m) and interest swap valuation (USD -9 m)

Transport volume increased by 4.3% – Declining Far East trade more than offset by Latin America and Middle East trades

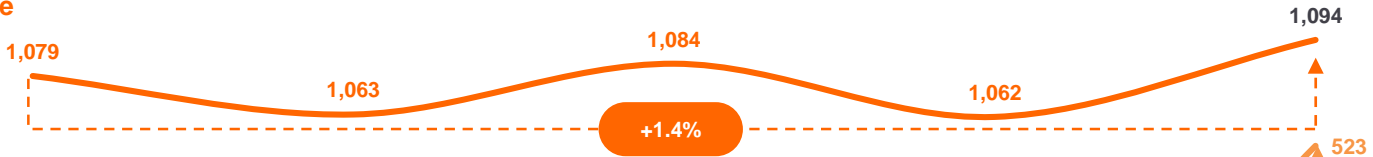
Transport volume development by trade [TTEU]



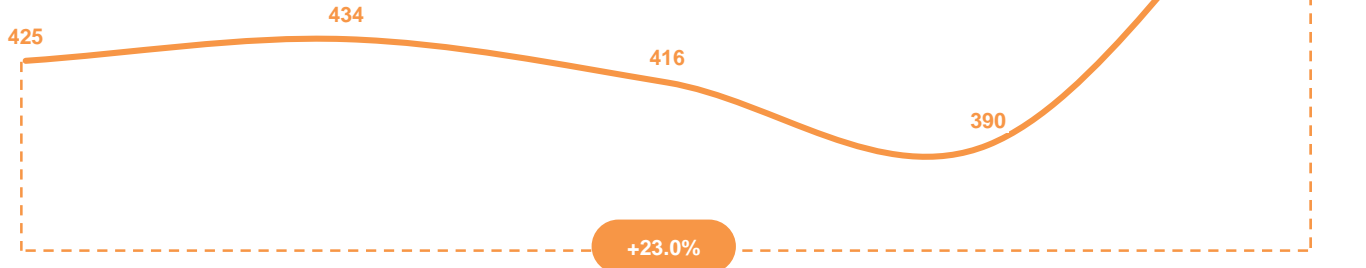
Freight rates increased by 1.4% YoY to 1,094 USD/TEU in Q1 2020, while average bunker price increased significantly by 23.0% YoY

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

Average freight rate



Average bunker price



Q1 2019

Q2 2019

Q3 2019

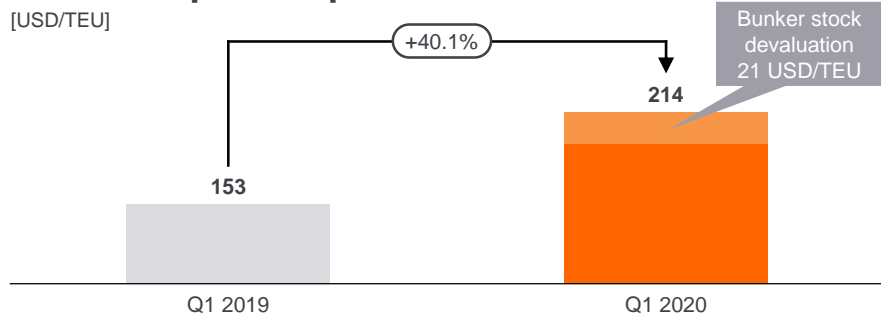
Q4 2019

Q1 2020

Bunker expenses per unit rose by 40% driven by high bunker costs at the start of the year and a rapid price decline thereafter

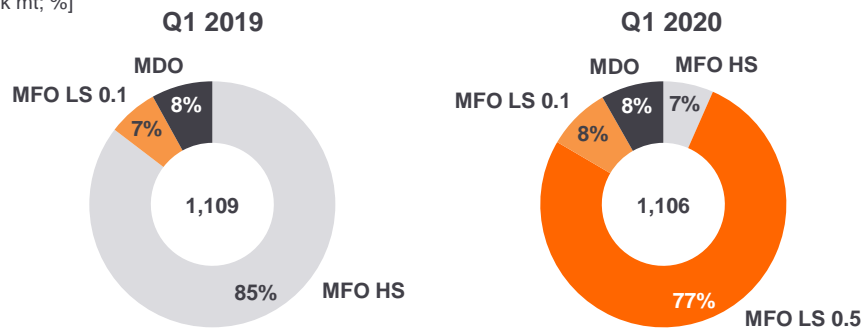
Bunker expenses per TEU

[USD/TEU]



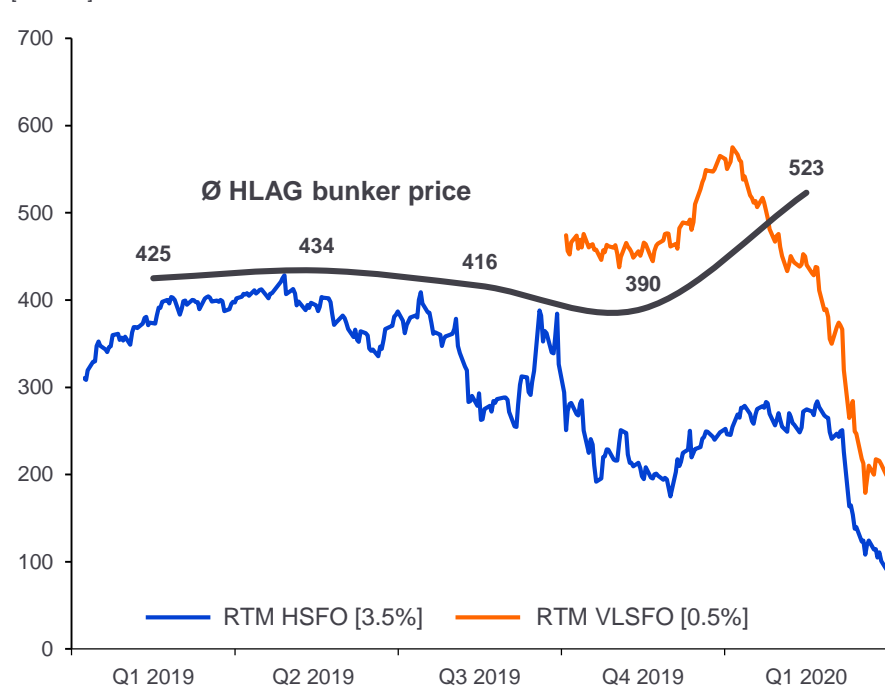
Total bunker consumption

[k mt; %]



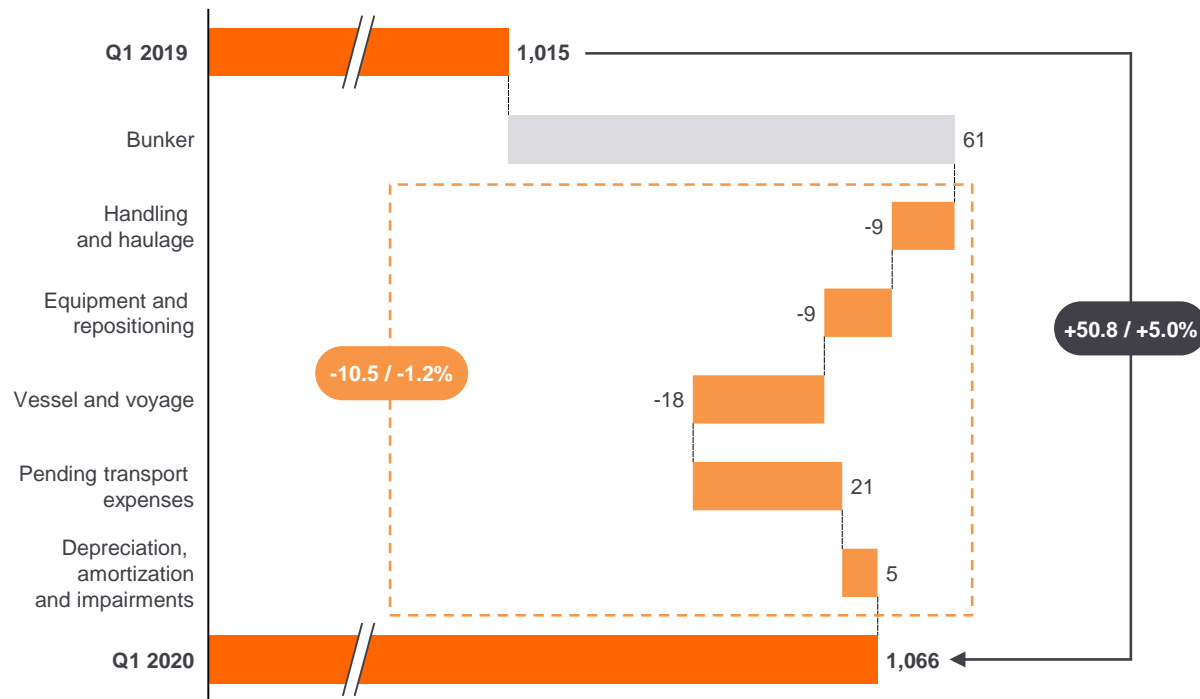
Average Bunker price

[USD/mt]



Transport expenses per unit increased by 5.0% YoY, driven by higher bunker costs – ex bunker unit cost decreased by 1.2% YoY

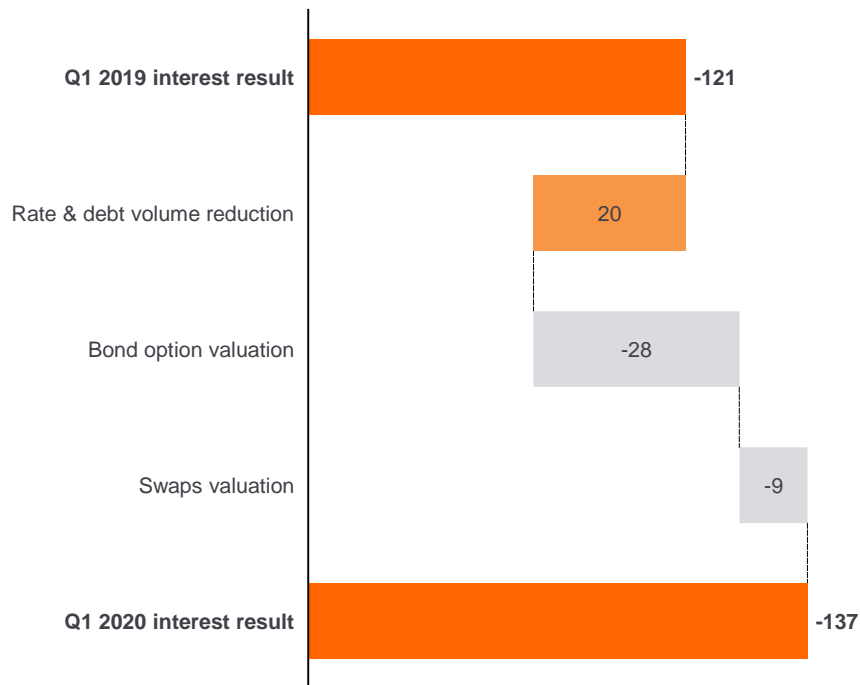
Transport expenses per unit [USD/TEU]



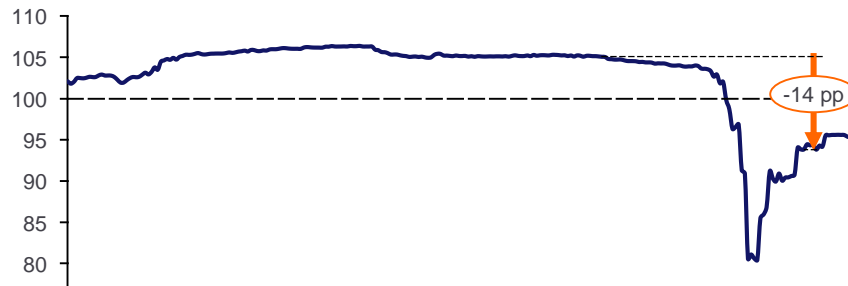
- “**Handling and haulage**” costs decreased due to less inland business and positive FX effects
- Costs for “**Equipment and repositioning**” decreased due to positive FX effects as well as an improved imbalance situation and reduced repositioning costs in China
- Costs for “**Vessel and voyage**” decreased due to an improvement in vessel utilization driven by a consequent capacity management.
- This effect was partly offset by an increase in “**D&A**” mainly for chartered vessels due to a higher number of ships chartered on a medium-term basis

Interest burden clearly reduced – extraordinary valuation effects weigh on financial result

Extraordinary interest result items [USD m]



HLAG Bond trading

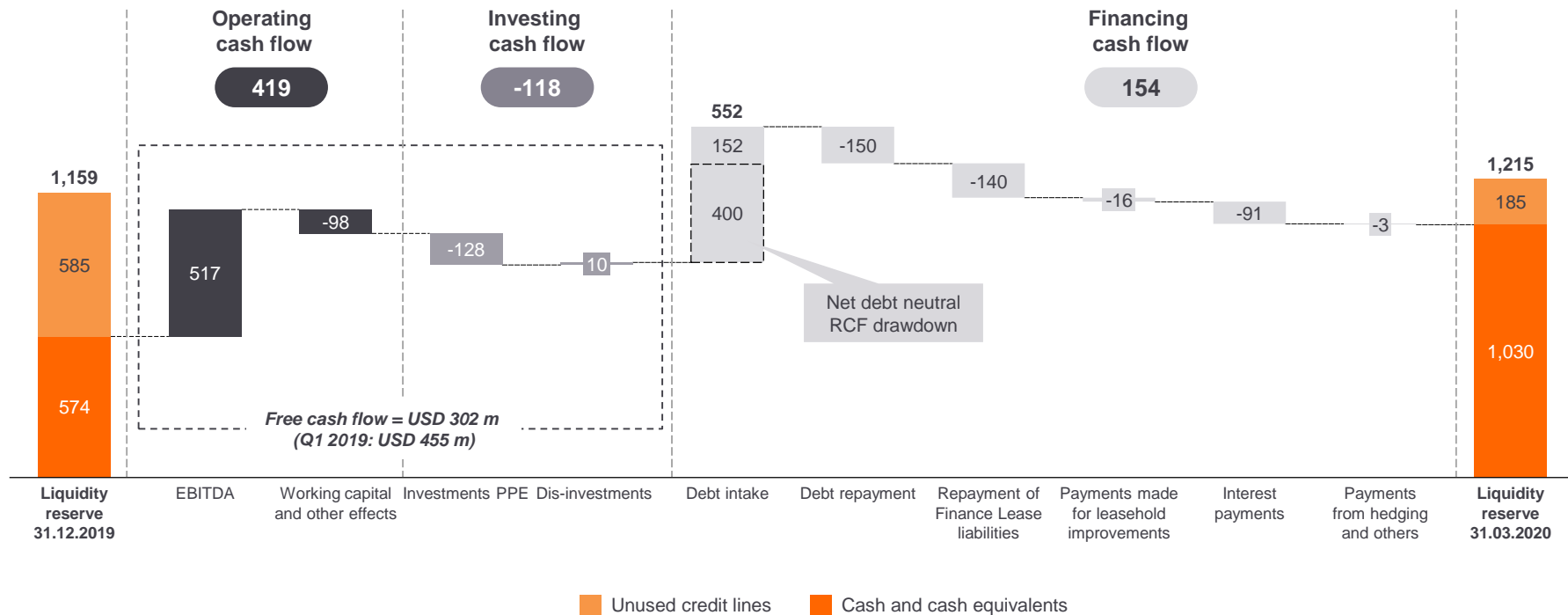


Comments

- Embedded bond options (early termination rights) lost value due to a temporary decline of bond price
- Valuation of the UASC legacy interest rate swaps impacted result further due to base rate decline
- Underlying financial result clearly improved

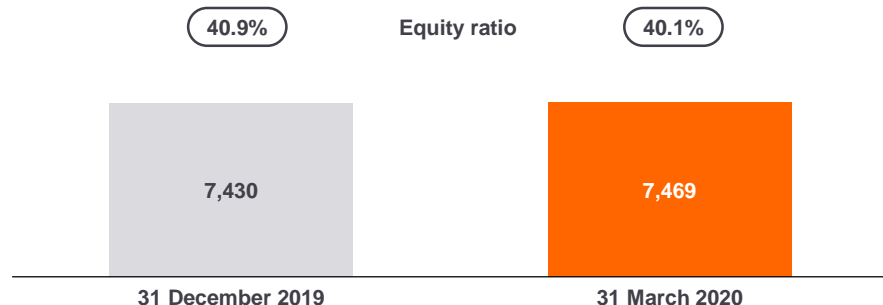
At USD 302 m, free cash flow was again clearly positive in Q1 2020 and liquidity reserve remained very solid at USD 1.2 bn

Cash flow Q1 2020 [USD m]

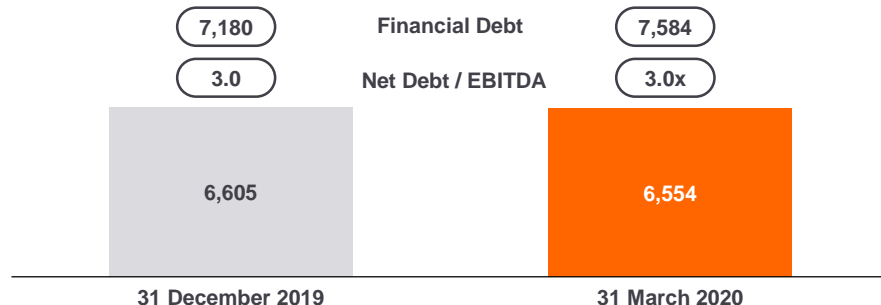


Net leverage remains unchanged at 3.0x, while cash and gross financial debt increased due to a USD 400 m draw down of RCF

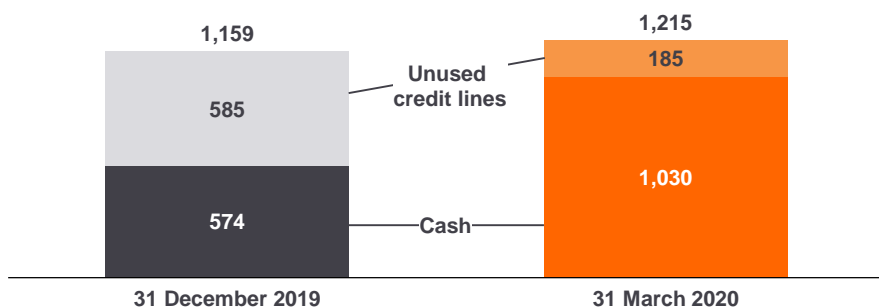
Equity base [USD m]



Net debt [USD m]



Liquidity reserve [USD m]

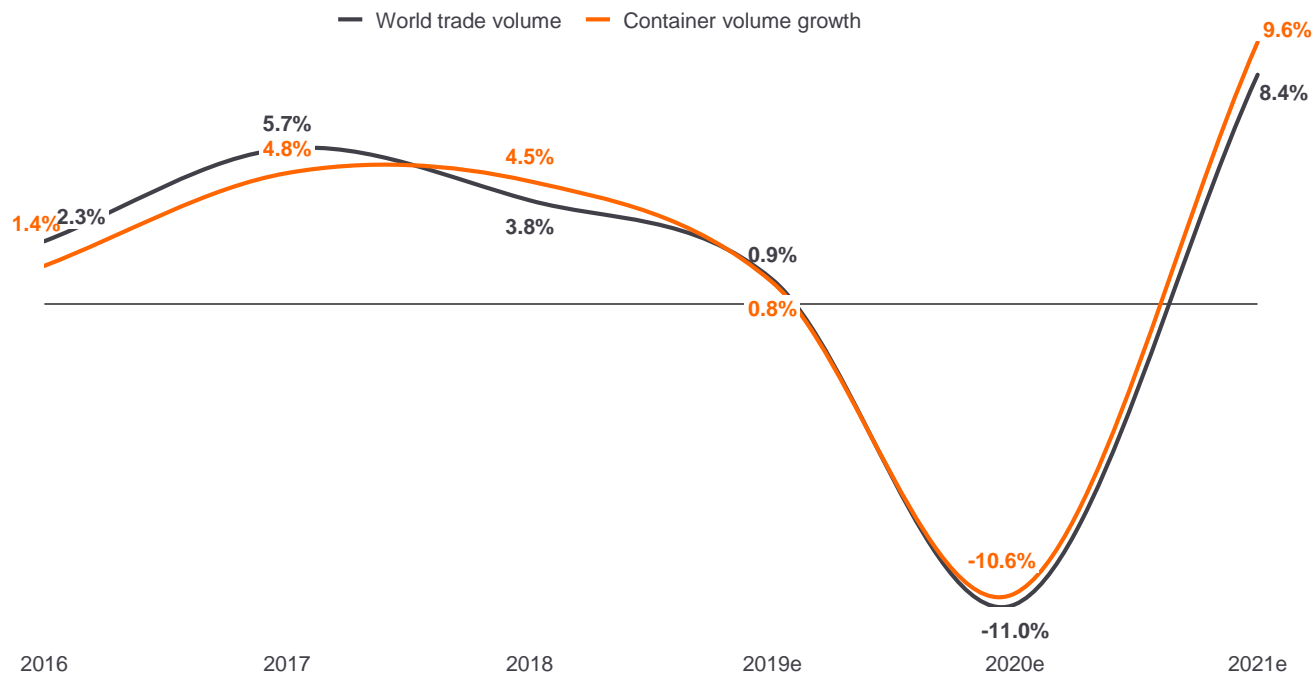


Comments

- Draw down of RCF (USD 400 m) as a precautionary measure has led to an increase in gross financial debt and at the same time in cash as the funds raised were invested as overnight deposits with banks
- Net debt decreased slightly due to positive free cash flow generation
- Net leverage (based on LTM calculation) remained unchanged at 3.0x due to slightly decreased net debt and solid Q1 2020 results

The Corona Virus is heavily affecting the world's economy and therefore also the container shipping industry in 2020e

World Trade Volume vs. Global Container Volume Growth [%]

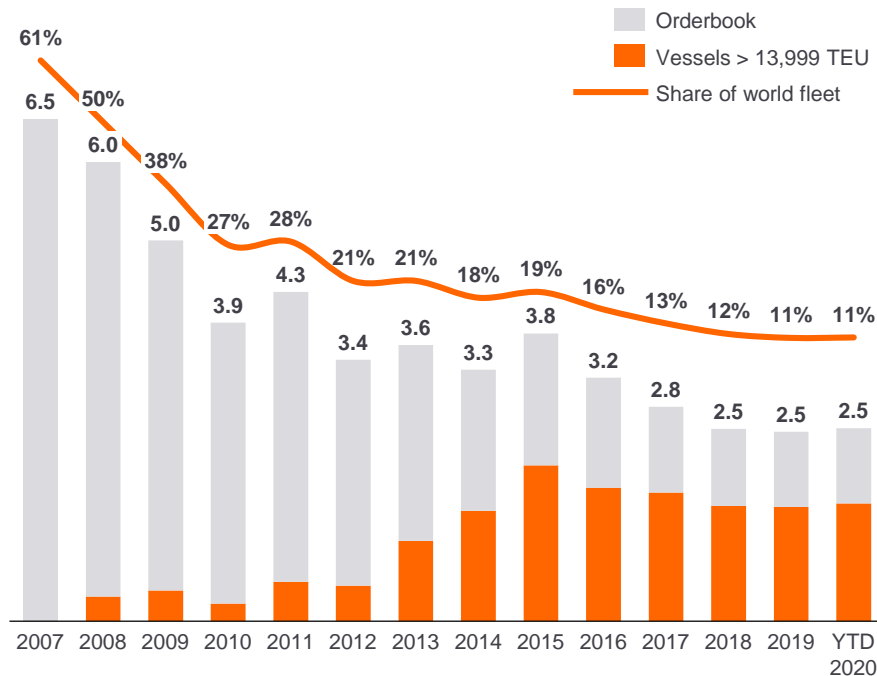


- The fallout from the COVID-19 outbreak can strongly be felt in 2020e GDP & container volume growth rates:
 - IMF recently lowered its world trade volume forecast to -11.0% for 2020e
 - Clarksons has recently downgraded its forecast for 2020e to -10.6%
 - Situation remains highly fluid and uncertain, with further downgrades possible
- Q1 mainly effected by virus outbreak in China, since March also other regions (like Europe & US) are heavily impacted
- However, a solid recovery is currently expected for all trades in 2021

However, there are important differences to the 2008/2009 crisis – as we have today a record low orderbook and hardly any new orders...

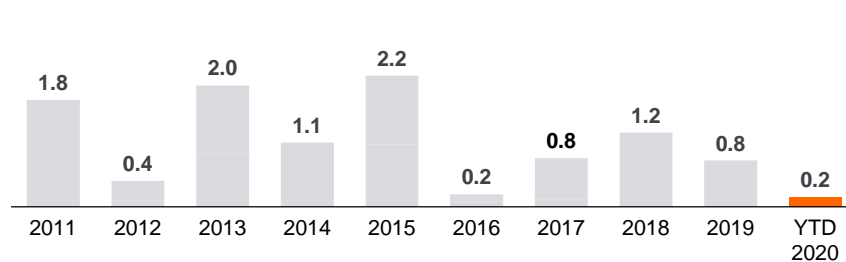
Orderbook-to-fleet

[TEU m, %]



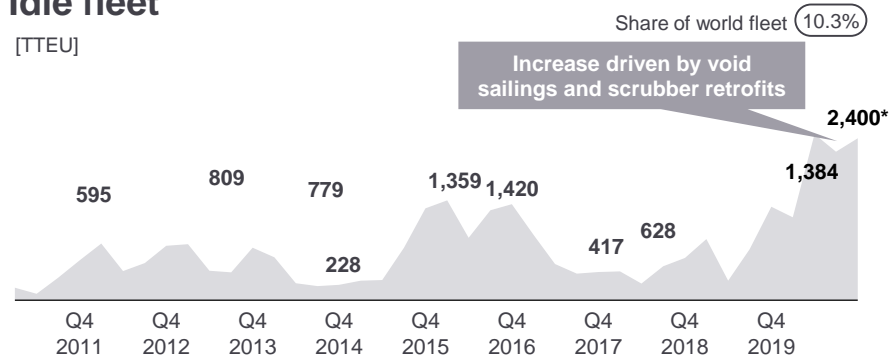
Newly placed orders

[TEU m]



Idle fleet

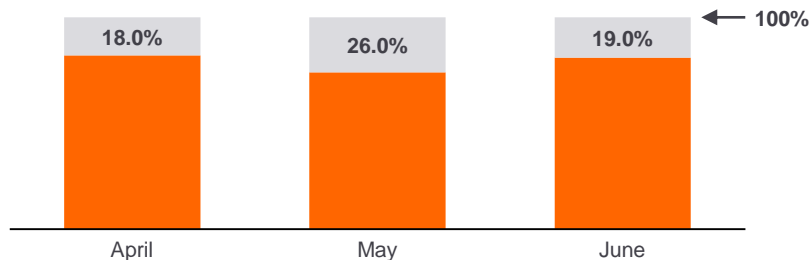
[TTEU]



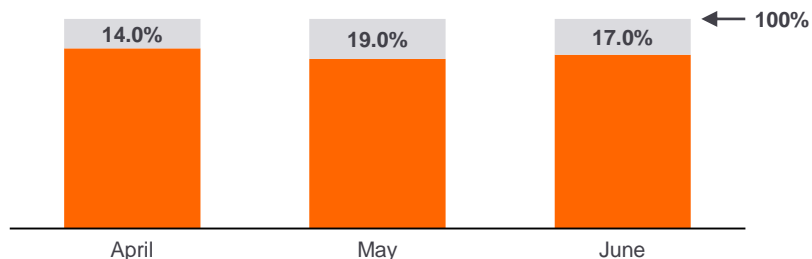
...as we adjust capacity to the lower demand and...

Carrier capacity measures on major trades

Headhaul trade lane capacity & blank sailings on Far East

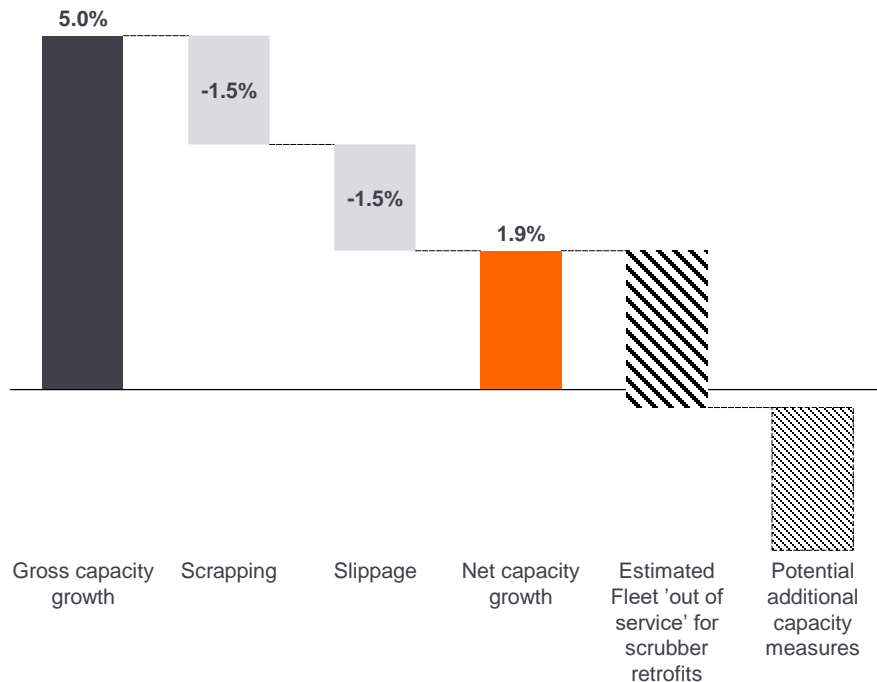


Headhaul trade lane capacity & blank sailings on Transpacific



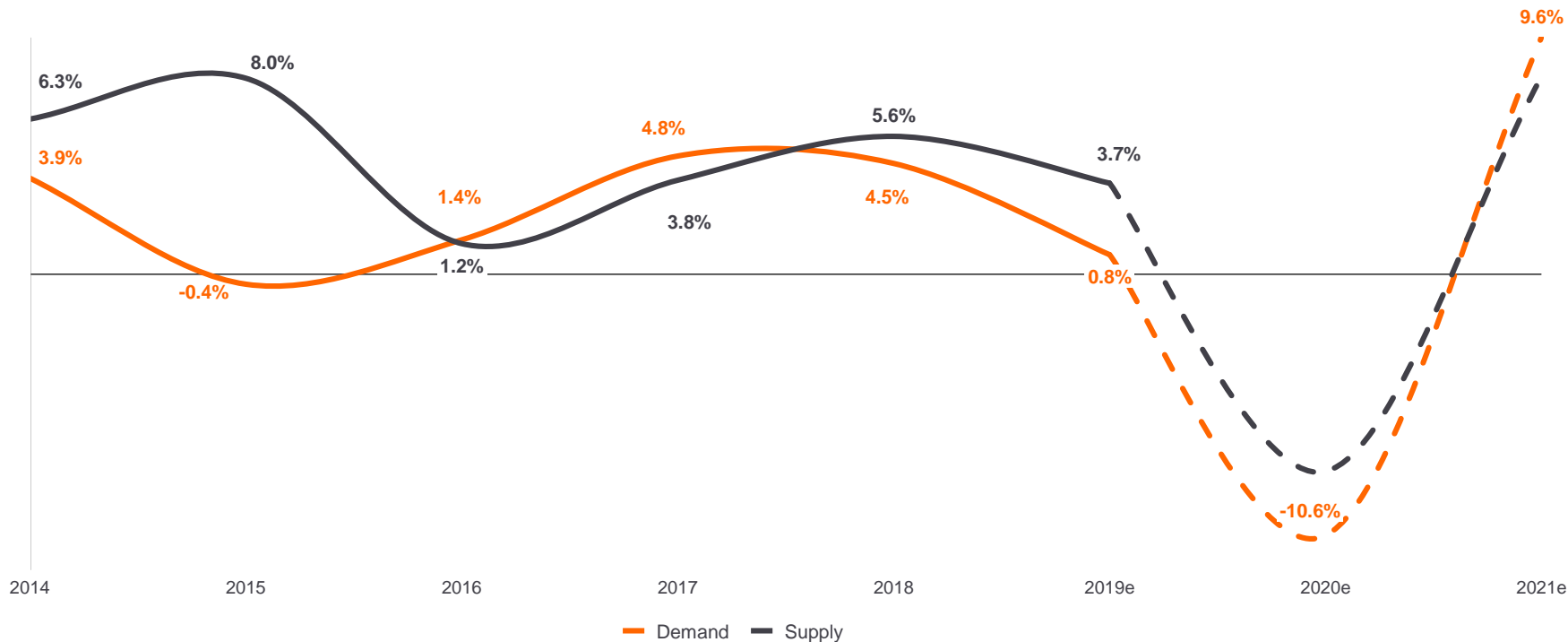
Blanked capacity Remaining trade lane capacity

Net capacity growth in 2020e



...will be ready to scale up again quickly when demand returns

Supply / Demand Balance



Performance Safeguarding Program (PSP) launched to protect against downside risk of COVID-19 and to safeguard earnings and liquidity



Cost savings

- Substantial capacity measures taken in coordination with our THE Alliance partners in order to ensure adequate vessel utilization
- Reduction of variable transport expenses and fixed costs (e.g. return of chartered ships, SG&A)
- Savings in the range of a mid three-digit million USD figure expected



Investment prioritization

- No commitments for vessel purchases
- Postponement of growth and unnecessary maintenance investments
- Continuous review going forward



Financial contingency

- Draw-down of USD 400 m from RCF to secure liquidity in case of worsening market conditions
- Further actions taken to enhance liquidity and secure necessary investments
- Additional focus on working capital management

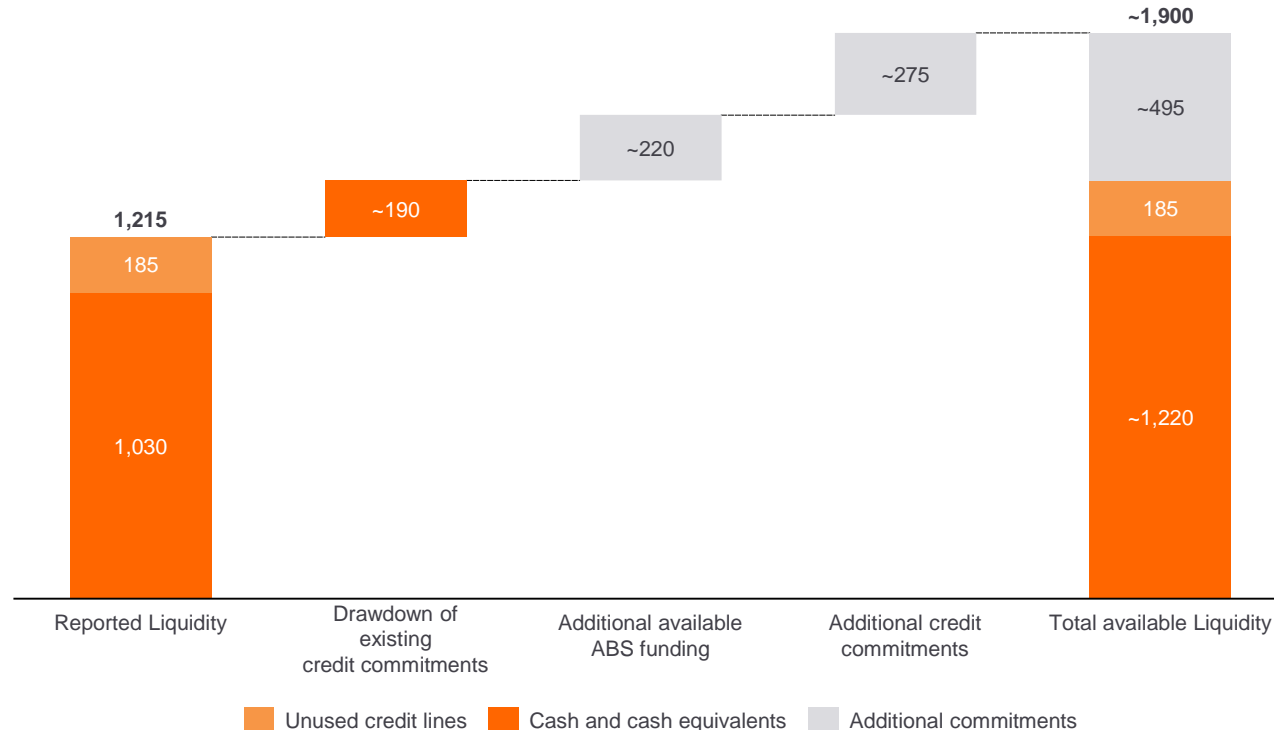


Government support

- Evaluation of government support programs
- Contingency plan in case of a prolonged recession
- At the moment, no extraordinary government support needed as profitability and liquidity measures taken should safeguard financial stability







Financial contingency measures – Increase of available liquidity to USD ~1.9 bn

Available liquidity in May [USD m]



- On top of the reported liquidity of USD ~1.2 bn, we have additional liquidity available in the amount of USD ~700 m (ABS program, committed JOL, vessel sale & lease back etc.)
- In order to optimize our short-term repayment profile we extended an existing credit facility in the amount of USD ~100 m initially due in June 2020 to December 2020
- In parallel, the credit approval for a committed container investment financing is expected shortly

Earnings outlook substantiated – subject to considerable uncertainties due to COVID-19 pandemic

	FY 2019	Updated Outlook for 2020
 Transport volume	12,037 TTEU	
 Average bunker price	416 USD/mt	
 EBITDA	EUR 1,986 m	EUR 1.7 – 2.2 bn
 EBIT	EUR 811 m	EUR 0.5 – 1.0 bn

- Outlook is subject to considerable uncertainty due to COVID-19 and based on the premise that the pandemic will peak in the second quarter and give way to a gradual recovery in the second half of the year
- Transport volumes and average bunker consumption prices expected to be below previous year's level
- EBITDA and EBIT outlook ranges remain unchanged
- However, unless there is a recovery in demand for container transport services earlier and stronger than expected by market participants, the upper end of the forecast ranges is barely achievable from today's perspective

Our priorities for the coming months

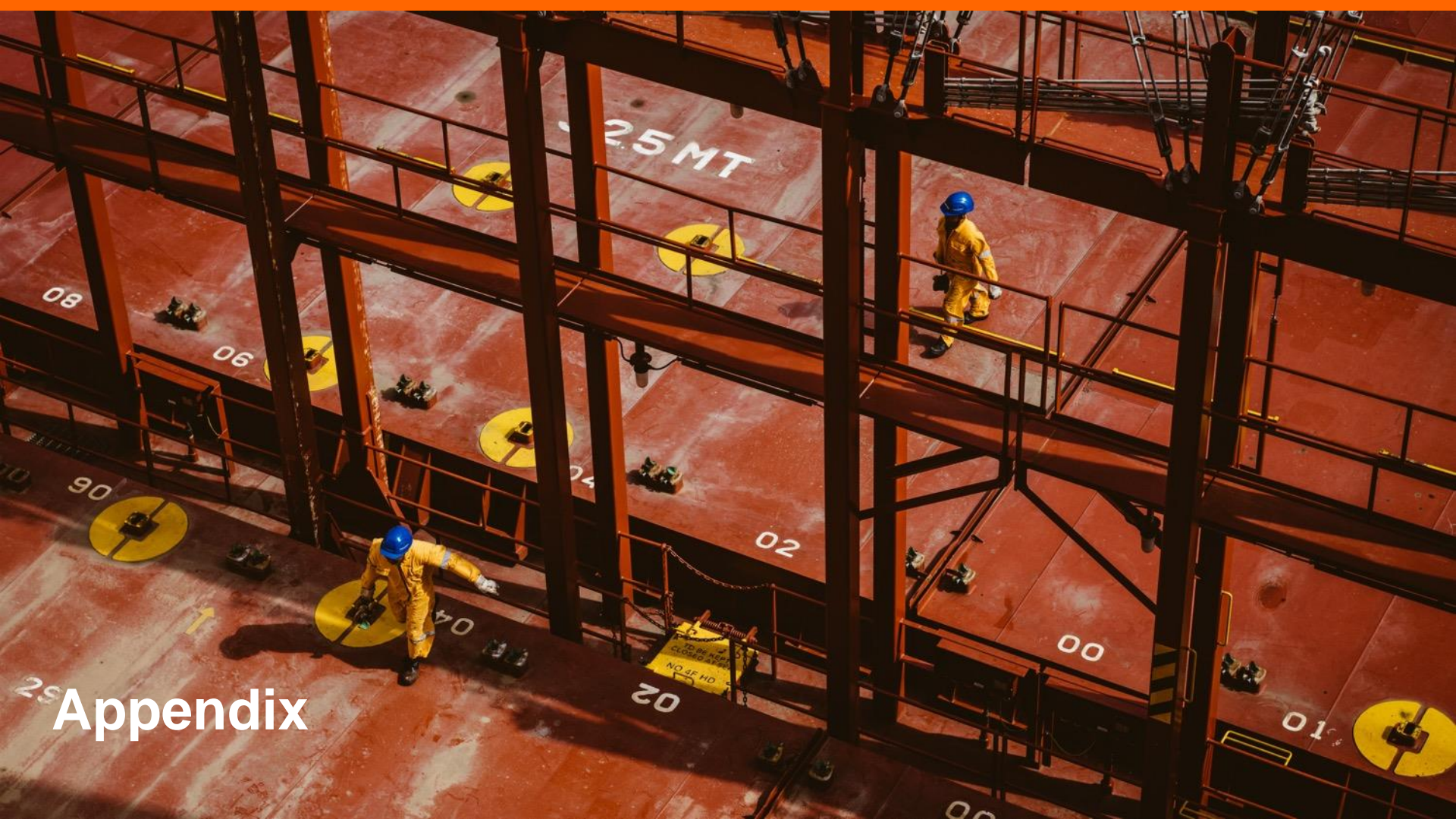
 Ensure the **safety of our employees** and **fully support our customers** to safeguard **uninterrupted supply chains**

 **Focus on** implementation and execution of the **Performance Safeguarding Program** and successfully implement necessary **capacity and cost cutting measures**

 **Keep track on** execution of our **Strategy 2023** and gradually **pick-up** the relevant **projects again** to mitigate any delay in implementation to a maximum of 6 months

 Continue to follow a **conservative financial policy** with **clear focus on cash**

 Continuously **monitor the global economic impact of the COVID-19** pandemic and **adapt to evolving market conditions**



Appendix

Hapag-Lloyd with an equity ratio of 40.1% and a gearing of 87.7%

Balance sheet [USD m]

million USD	31.3.2020	31.12.2019
Assets		
Non-current assets	15,379.7	15,501.0
of which fixed assets	15,306.1	15,393.6
Current assets	3,249.9	2,680.7
of which cash and cash equivalents	1,030.1	574.1
Total assets	18,629.6	18,181.7
Equity and liabilities		
Equity	7,469.3	7,430.3
Borrowed capital	11,160.3	10,751.4
of which non-current liabilities	6,250.5	6,269.4
of which current liabilities	4,909.8	4,482.0
of which financial debt and lease liabilities	7,584.2	7,179.6
of which non-current financial debt and lease liabilities	5,808.5	5,786.6
of which current financial debt and lease liabilities	1,775.6	1,393.0
Total equity and liabilities	18,629.6	18,181.7

Financial position [USD m]

million USD	31.3.2020	31.12.2019
Financial debt	7,584.2	7,179.6
Cash and cash equivalents	1,030.1	574.1
Restricted Cash	–	–
Net debt	6,554.0	6,605.4
Unused credit lines	185.0	585.0
Liquidity reserve	1,215.1	1,159.1
Equity	7,469.3	7,430.3
Gearing (net debt / equity) (%)	87.7	88.9
Equity ratio (%)	40.1	40.9

Hapag-Lloyd with positive EBIT of USD 176.1 m in Q1 2020

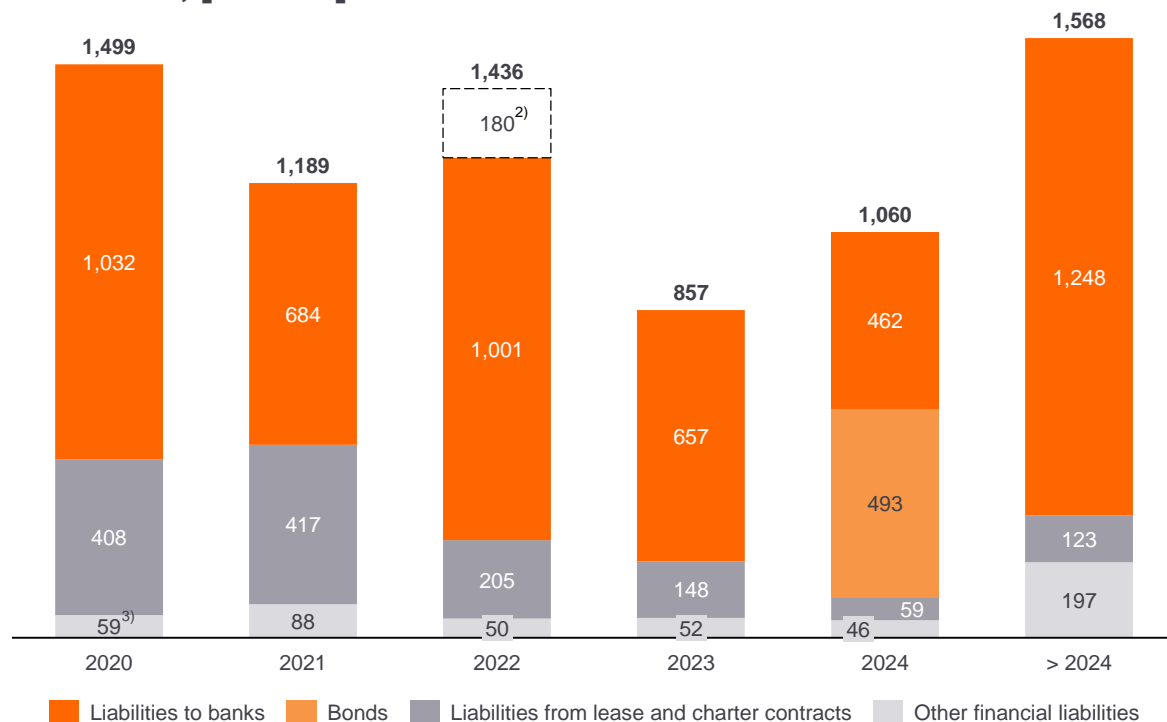
Income statement [USD m]

million USD	Q1 2020	Q1 2019	YoY change
Revenue	3,684.0	3,477.6	6%
Transport expenses	-2,914.4	-2,660.2	10%
Personnel expenses	-190.5	-189.3	1%
Depreciation, amortisation and impairment	-341.1	-312.9	9%
Other operating result	-71.8	-82.4	13%
Operating result	166.1	232.8	-29%
Share of profit of equity-accounted investees	10.2	9.7	5%
Result from investments	-0.2	0.2	-245%
Earnings before interest and tax (EBIT)	176.1	242.7	-27%
Interest result	-136.9	-120.6	13%
Other financial items	4.8	0.2	2%
Income taxes	-16.7	-13.0	28%
Group profit / loss	27.3	109.3	-75%

Well balanced maturity structure of financial liabilities

Financial Debt Profile as per 31 March 2020¹⁾, [USD m]

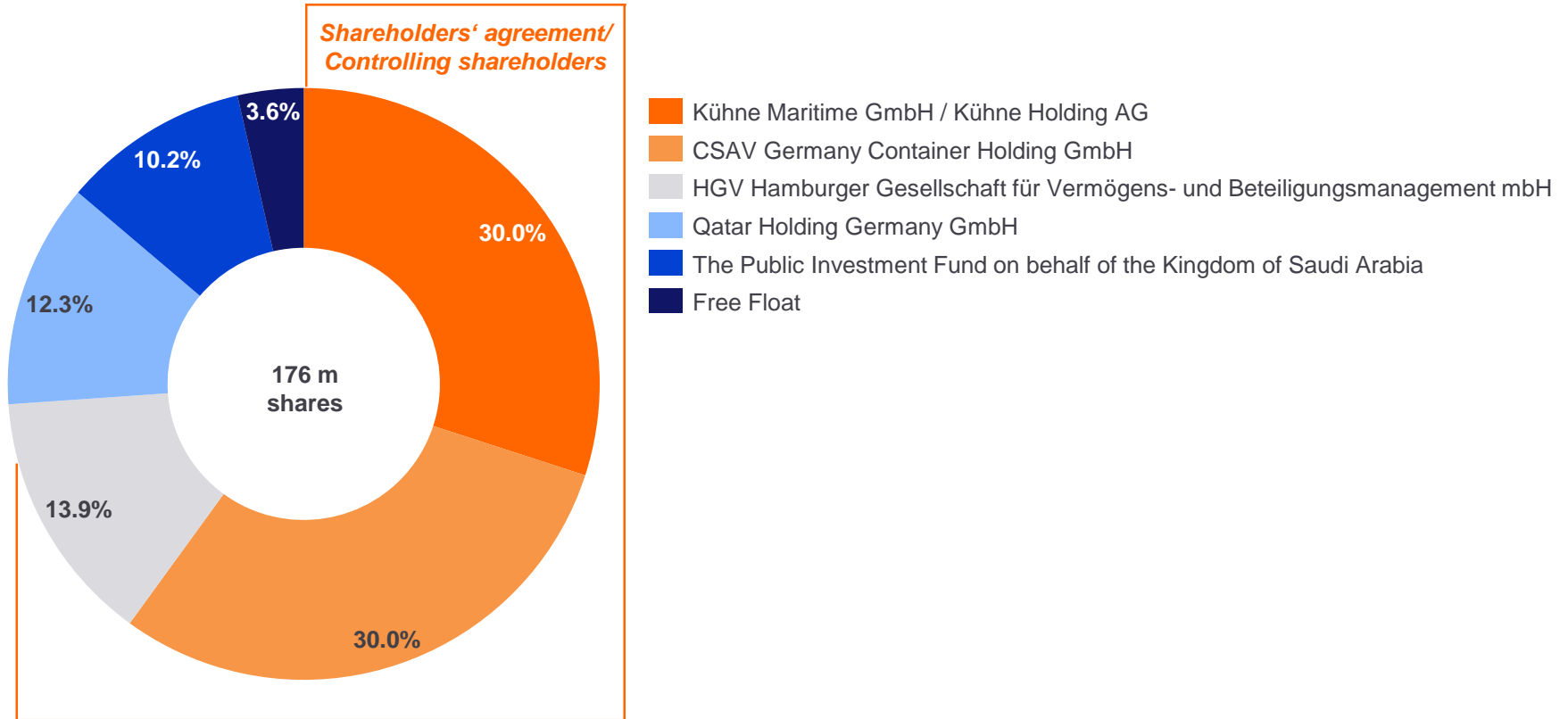
Facility	31 March 2020 [USD m]
Vessel Financings	3,264
Container Financings	1,207
Total Vessel & Container	4,471
EUR Bond 2024	493
Total Bonds	493
Corporate secured	263
Corporate unsecured	1,021
Total corporate	1,284
Pre IFRS 16 Leases	64
New IFRS 16 Leases	1,294
Total Finance Leases	1,358
Total financial liabilities	7,607³⁾⁴⁾



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 31.03.2020 consists of transaction costs and accrued interest 2) ABS program prolonged until 2022 3) Total financial liabilities without New IFRS 16 Finance Leases at 6,313 USD m

4) Repayment amounts based on contractual debt as per 31.03.2020 Note: Rounding differences may occur

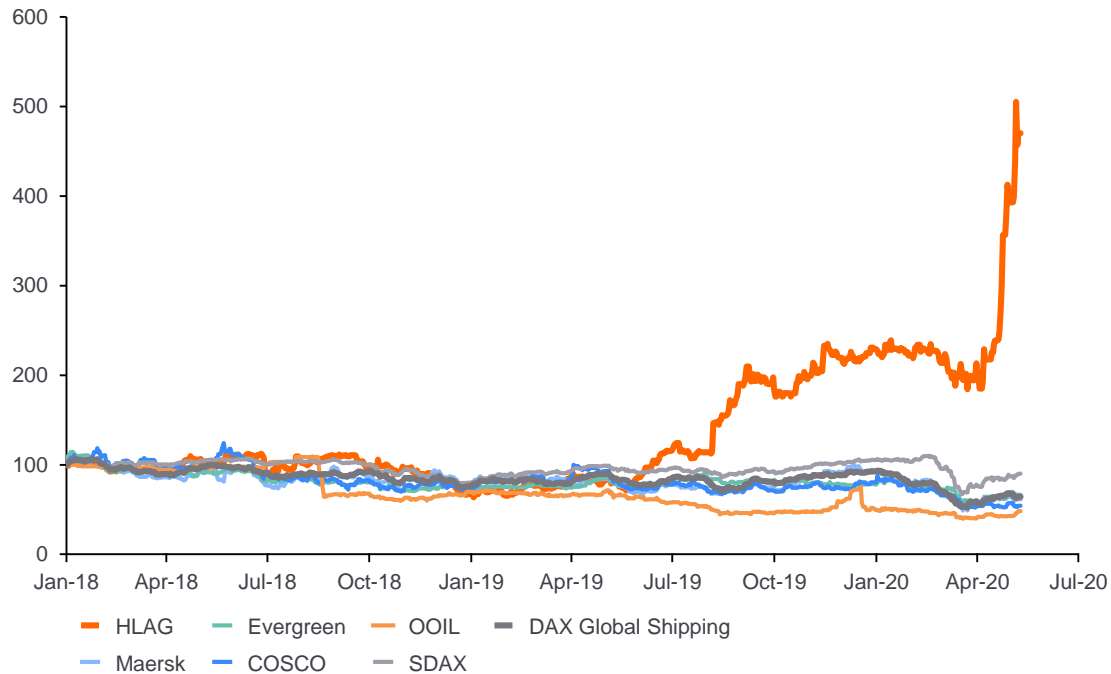
Hapag-Lloyd's shareholder structure



Share price development

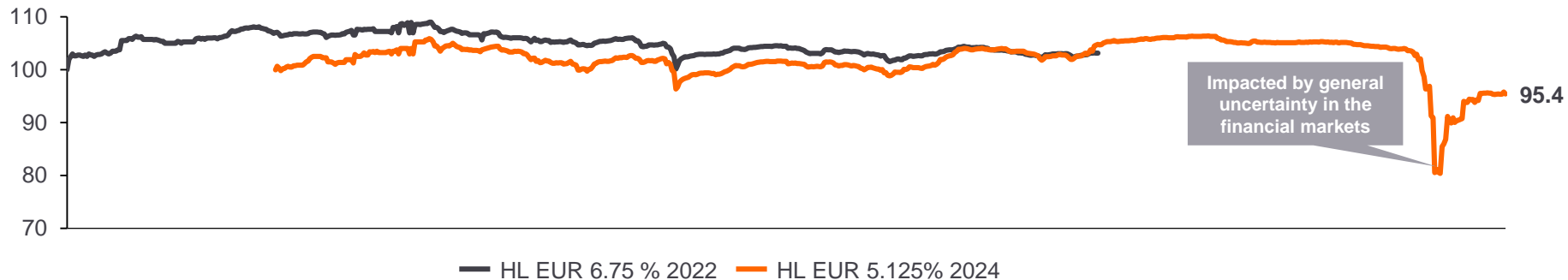
Performance since 1 January 2018

Indexed Price



Stock Exchange	Frankfurt Stock Exchange / Hamburg Stock Exchange
Market segment	Regulated market (Prime Standard)
ISIN / WKN	DE000HLAG475 / HLAG47
Ticker Symbol	HLAG
Primary listing	6 November 2015
Number of shares	175,760,293

Bond 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%

Financial Calendar 2020

19 February 2020	Preliminary Financials 2019 ✓
20 March 2020	Annual Report 2019 ✓
15 May 2020	Quarterly Financial Report Q1 2020 ✓
05 June 2020	Virtual Annual General Meeting 2020
14 August 2020	Half-year Financial Report 2020
13 November 2020	Quarterly Financial Report 9M 2020

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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