



# Hapag-Lloyd

## Investor Presentation

Hamburg, 24 May 2017

# Opening Remarks



## DEAL STRUCTURE

- **On 24 May 2017**, the merger between Hapag-Lloyd and UASC has been closed
- UASC business has been **contributed in-kind** into Hapag-Lloyd **against issuance of new shares** by Hapag-Lloyd

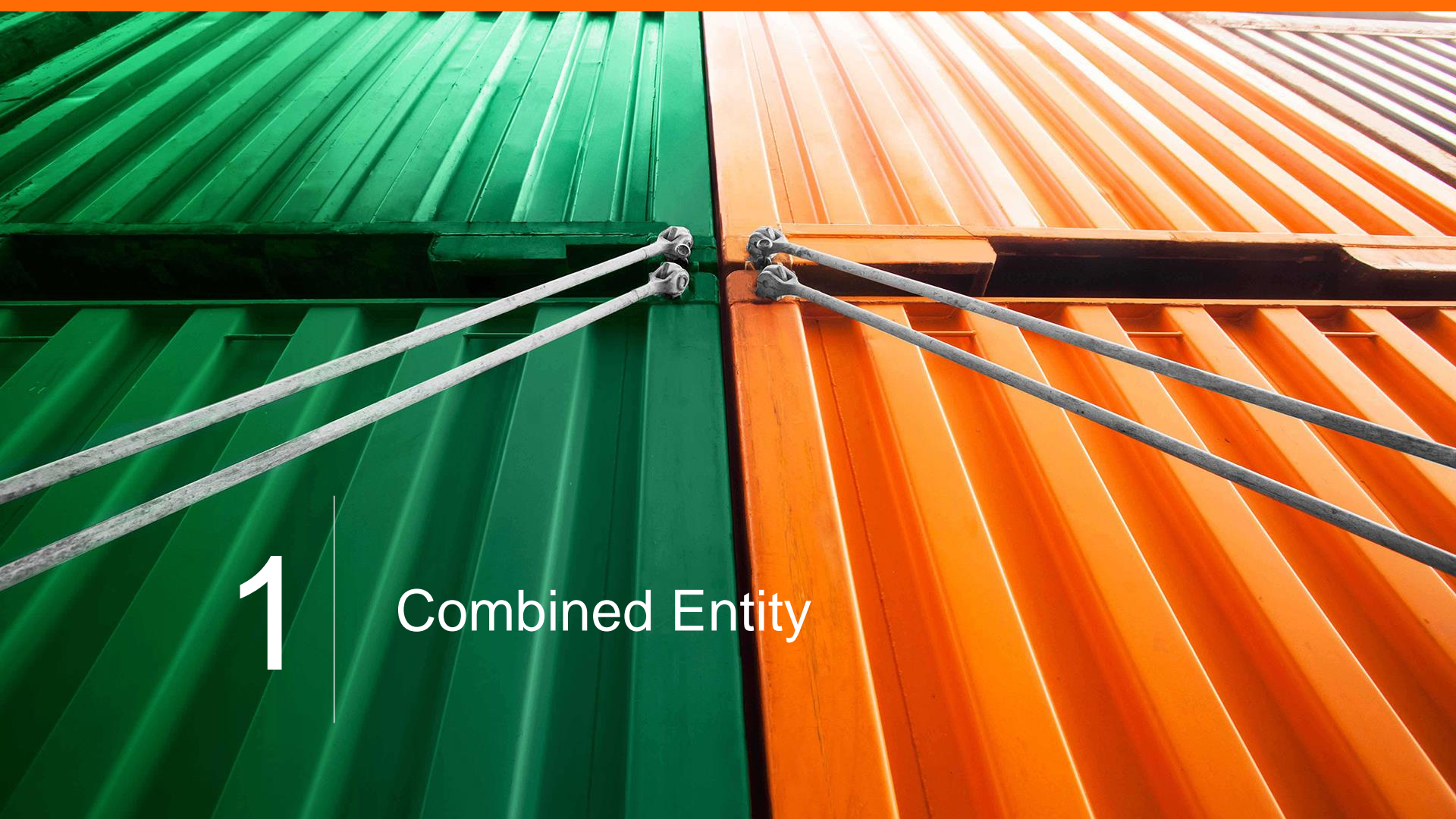
## STRATEGIC RATIONALE

- Combined entity **among the Top 5 global carriers** with a **strengthened market position** on key trades against the backdrop of a consolidating market and a strong partner within **THE Alliance network**
- Further **balancing of the trade portfolio** and **enhancement of risk diversification** – **strong Middle East presence** is being added to the Hapag-Lloyd network portfolio
- **Young and fuel-efficient fleet** with large share of ULCVs ensures a sustainable market position **no further short-term fleet investments** needed
- Significant value creation through expected run-rate synergies of **USD 435 m** p.a. from 2019 onwards – Hapag-Lloyd has a strong **track record of successfully extracting synergies**
- **Supportive core shareholders** and capital market investors – **USD 400 m cash capital increase** within coming months

## NEXT STEPS

- **USD 400 m cash capital increase** within six months from Closing (backstopped by certain key shareholders)
- We expect to conclude the **integration by October 2017**





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Combined Entity

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



## At a glance

	 Hapag-Lloyd	 UASC	Combined Entity <sup>1)</sup>
 Corporate HQ	Hamburg	Dubai	Hamburg
 Alliance membership	G6 (until 31 March 2017)	Ocean 3 (until 31 March 2017)	THE Alliance (since 1 April 2017)
 Ships [#]	172	58	230
 Capacity [TEU m]	1.0	0.6	1.6
 Container [TEU m]	1.6	0.7	2.3
 Employees	9,413	3,534	12,947

1) Sum of stand-alone figures as of 31 March 2017 (rounding differences may occur)

## Deal rationale



Strengthened market position



Well-balanced trades



**better. united.**  
Hapag-Lloyd & UASC



Large, young fleet



Significant synergy effects



Strong partnerships

# Hamburg remains the HQ of the combined entity, Dubai becomes our new Regional HQ for Middle East



## Executive Board



**CEO**  
Rolf Habben  
Jansen



**CFO**  
Nicolás Burr



**COO**  
Anthony J. Firmin



**CCO**  
Thorsten Haeser

## Regional Headquarters

**RAS**  
(Singapore)



**REU**  
(Hamburg)



**RLA**  
(Valparaíso)



**RME**



**RNA**  
(Piscataway)



## Set up of a new Region Middle East







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Strategic Rationale

# The combination has a compelling strategic rationale



Combined entity **among Top 5 global players** with a **strengthened market position**



Balanced trade portfolio with additional **Middle East presence**



One of the **youngest and most efficient vessel fleets** without the need for further short-term fleet investments



Expected **synergies of USD 435 m p.a.** from 2019 onwards



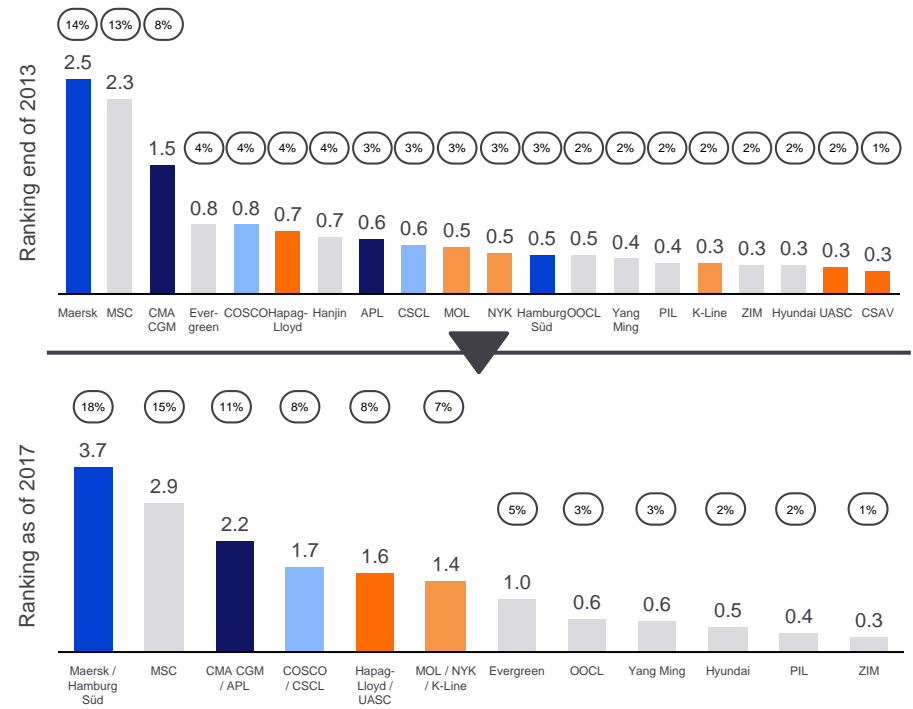
**Supportive core shareholders** and **USD 400 m cash capital increase** in the coming months

# We believe that going forward there will be 5-7 significant global liner shipping companies

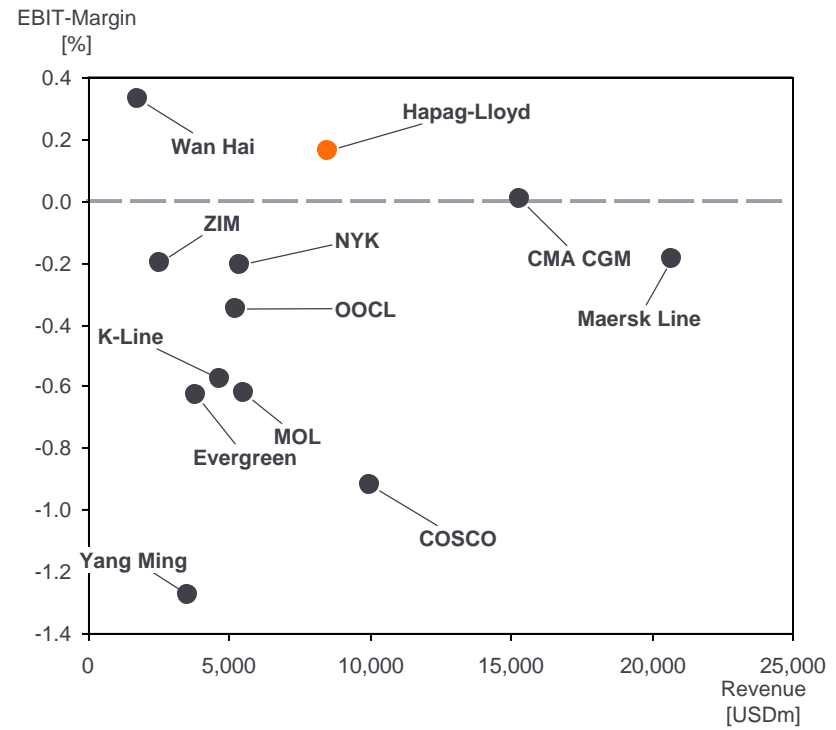


## Consolidation wave has led to higher concentration

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



## Carrier Revenue vs. EBIT-Margin FY 2016



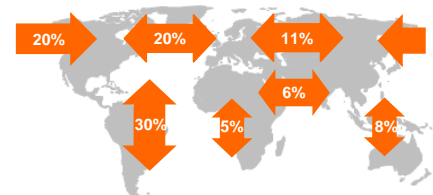


# The combined entity has a very balanced trade portfolio with an additional strong presence in the Middle East

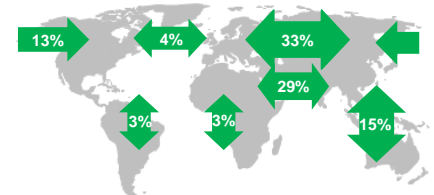


## Transport volume by trade, FY 2016 (indicative)

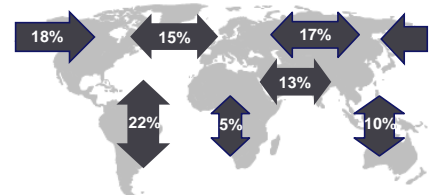
Hapag-Lloyd



UASC<sup>1)</sup>



Combined Entity<sup>1)</sup>

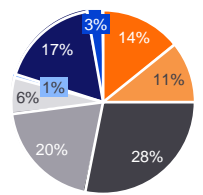


TEU m<sup>3)</sup>

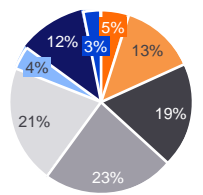
	Hapag-Lloyd	UASC	Combined
Atlantic	1.5	0.1	1.7
Transpacific	1.5	0.4	1.9
Far East	0.8	1.0	1.9
Middle East	0.5	0.9	1.3
Intra Asia	0.6	0.5	1.1
Latin America	2.2	0.1	2.3
EMAO	0.4	0.1	0.5
<b>Total</b>	<b>7.6</b>	<b>3.1</b>	<b>10.7</b>

## Breakdown of capacity by trade<sup>2)</sup>

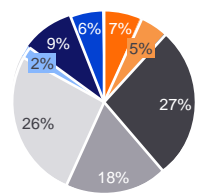
Hapag-Lloyd/UASC



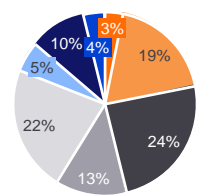
Maersk/HSDG



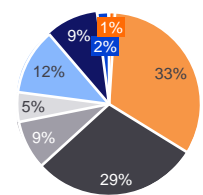
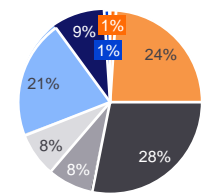
MSC



CMA CGM



COSCO



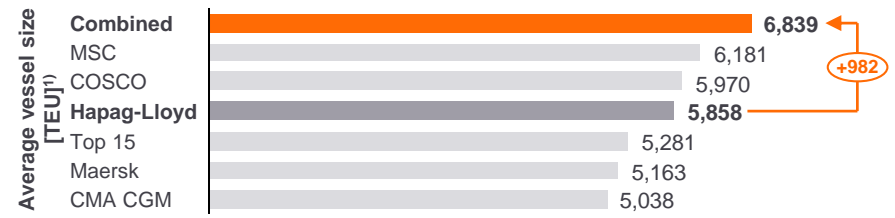
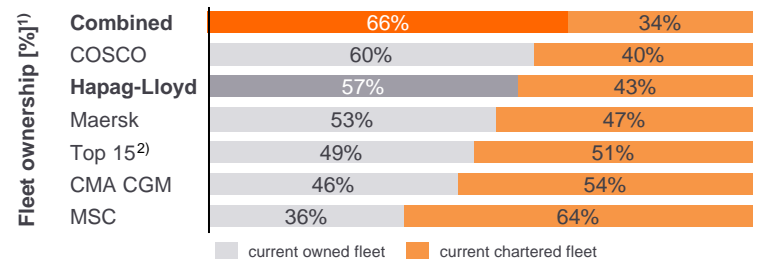
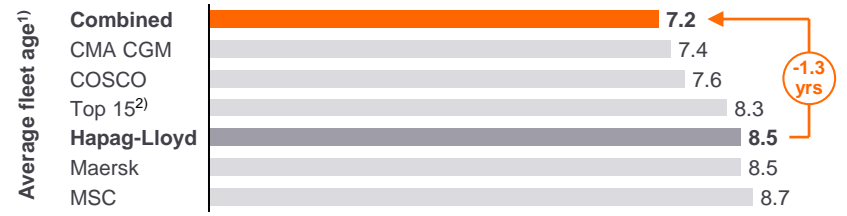
Legend: Atlantic (orange), Transpacific (dark orange), Far East (black), Latin America (grey), EM AO (light grey), Intra Asia (light blue), ME / ISC related (dark blue), Others<sup>3)</sup> (blue)

1) Allocation of UASC volume according to Hapag-Lloyd trade definition, not necessarily final 2) As of March 2017. 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; 3) Includes idle fleet

# We have a very competitive fleet, which is one of the most modern and youngest fleets in the industry



## Young and fuel-efficient fleet



## Ship deliveries 2015-2017

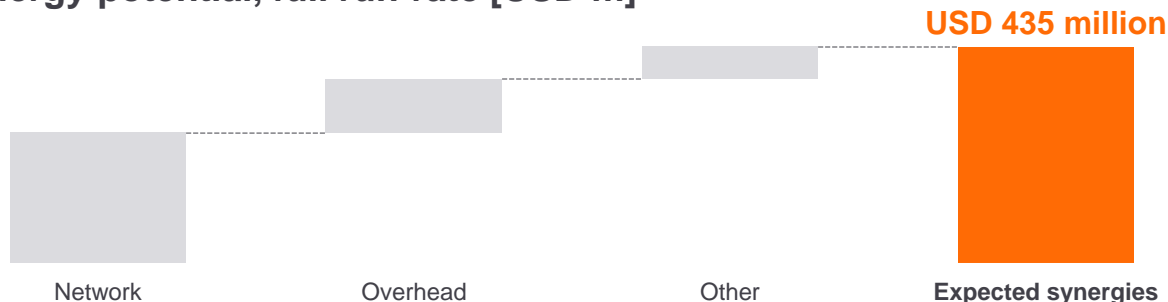
Vessel	2015		2016		2017	
	H1	H2	H1	H2	H1	H2
<b>19,500 TEU</b>						
TEU Vessels	19,870	59,610	39,740			
	1	3	2			
<b>15,000 TEU</b>						
TEU Vessels	44,979	14,993	59,972			29,986
	3	1	4			2
<b>10,500 TEU</b>						
TEU Vessels				21,178	31,767 <sup>3)</sup>	
				2	3 <sup>3)</sup>	
<b>9,300 TEU</b>						
TEU Vessels	37,200	9,300				
	4	1				
<b>3,500 TEU</b>						
TEU Vessels			7,016			
			2			
<b>Capacity [TEU]</b>	<b>102,049</b>	<b>83,903</b>	<b>106,728</b>	<b>21,178</b>	<b>31,767<sup>3)</sup></b>	<b>29,986</b>
<b>Vessels</b>	<b>8</b>	<b>5</b>	<b>8</b>	<b>2</b>	<b>3<sup>3)</sup></b>	<b>2</b>

1) Diagram assuming that all currently announced mergers (NYK & MOL & K-Line; Maersk & Hamburg Süd) will receive regulatory approvals and are executed as announced. Simple sum of stand-alone operating capacity 2) Weighted by carrier capacities 3) All three vessels have been delivered within the first four months of 2017  
 Source: MDS Transmodal (April 2017) plus HL internal data (HL Fleet as of 31.03.2017, Combined as of 31.03.2017, only vessels >399 TEU)

# Synergies of USD 435 m expected from 2019 onwards – Focus on fast-track integration and realization of synergies



## Synergy potential, full run-rate [USD m]



Synergies of USD 435 m per year from 2019 onwards  
One-off costs of approx. USD 150 m largely payable in 2017

## Strong consolidation track record

	<b>2005</b>
<ul style="list-style-type: none"> <li>Realized net synergies of EUR 218 m in 2008</li> </ul>	
	<b>2014</b>
<ul style="list-style-type: none"> <li>Realized net synergies of USD 400 m in 2017</li> </ul>	

## Comments

### 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)

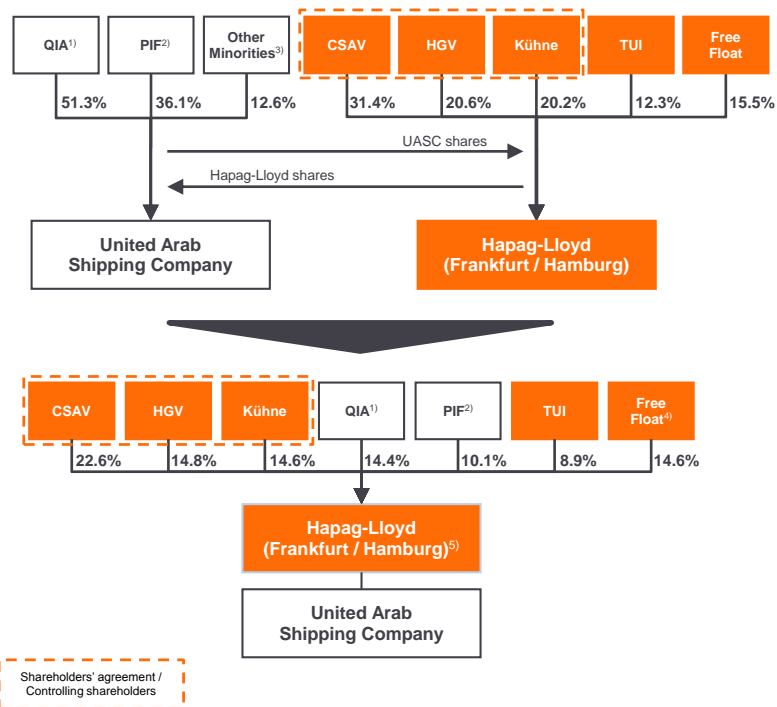
### Other (terminals, equipment and intermodal)

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

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



## Transaction overview



- 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) "Qatar Investment Authority" through its subsidiary "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 (KIA) on behalf of the state of Kuwait (5.1%), Iraqi Fund for External Development (IFED) (5.1%), United Arab Emirates (UAE) (2.1%) and Bahrain (0.4%) 4) Including 3.6% Other UASC Shareholders (KIA, IFED, UAE and Bahrain) 5) Shareholding structure prior to cash capital increase





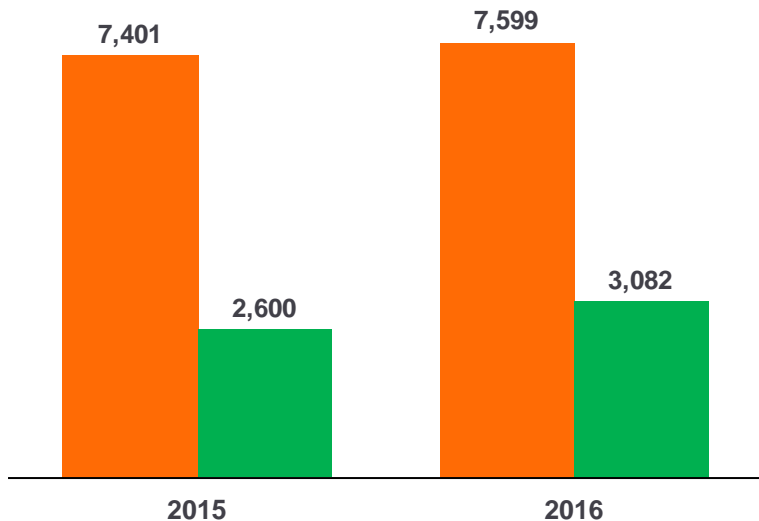
3

Financials

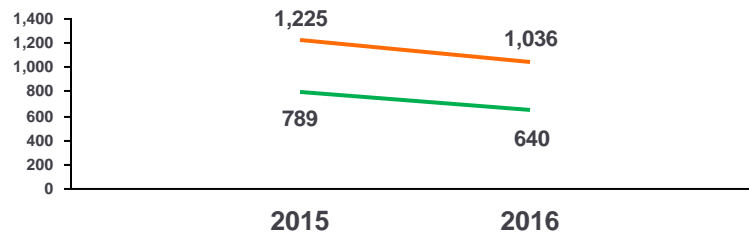
# The FY 2016 revenue of the Combined Entity was at approximately USD 10 billion



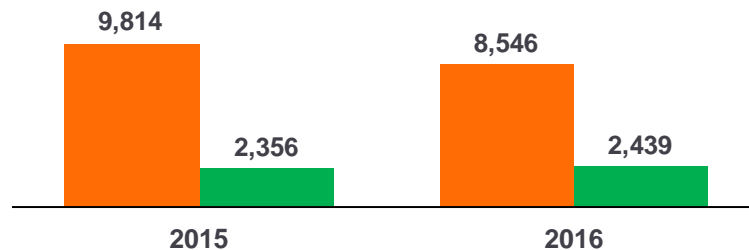
Volume [TTEU]



Freight Rate [USD/TEU]



Revenue [USD m]<sup>1)</sup>



Hapag-Lloyd UASC

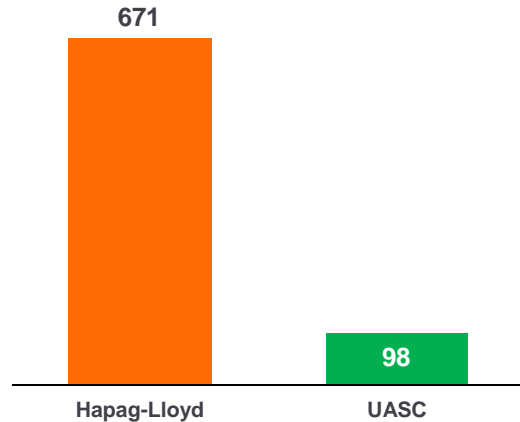
<sup>1)</sup> Revenue of UASC is derived from the audited consolidated financial statements of UASC. No alignment to the HL accounting policies occurred up to now. Furthermore, slot charter revenues of USD m 962 for FY 2015 and of USD m 795 for FY 2016 were deducted.

# FY 2016 results were impacted by challenging market environment



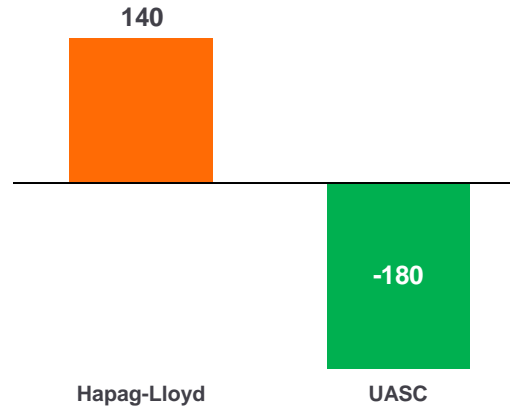
## EBITDA<sup>1)</sup>

FY 2016 [USD m]



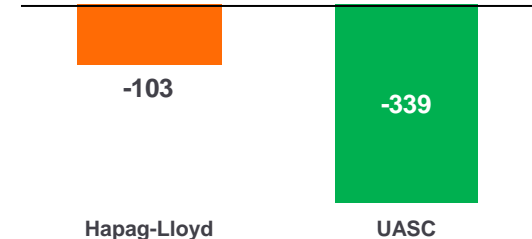
## EBIT<sup>1)</sup>

FY 2016 [USD m]



## Net profit<sup>1)</sup>

FY 2016 [USD m]



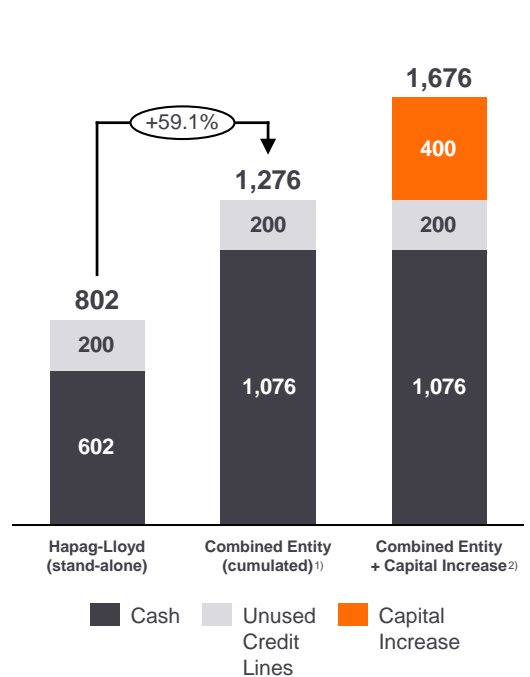
<sup>1)</sup> EBITDA, EBIT and Net profit is taken from the audited consolidated financial statements of UASC. No alignment to the HL accounting policies occurred up to now. After such alignments actual numbers might deviate.

# Strong equity base and liquidity reserve – Going forward main focus on deleveraging quickly



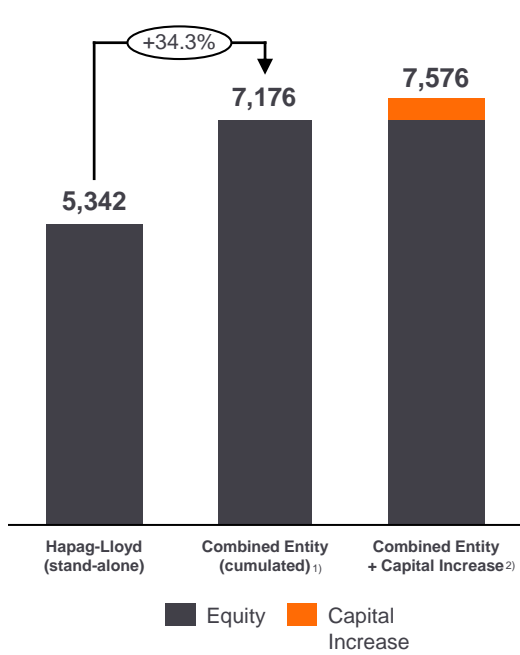
## Liquidity reserve

31.12.2016 [USD m]



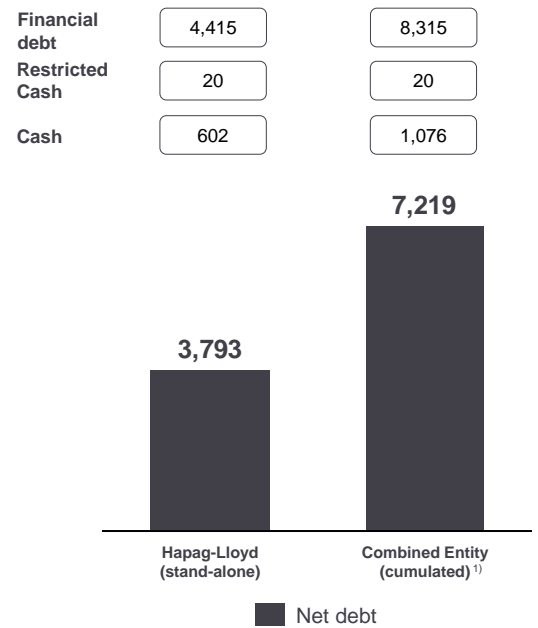
## Equity base

31.12.2016 [USD m]



## Net debt

31.12.2016 [USD m]



<sup>1)</sup> The Liquidity, Equity and Net debt positions of the combined entity (cumulated) is calculated by adding up the stand-alone amounts of HL and UASC. The UASC figures are taken from the audited consolidated financial statements of UASC. No alignment to the HL accounting policy occurred up to now. The actual combined numbers might deviate <sup>2)</sup> Within six months after Closing



# 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
Capital Increase	Cash capital increase backstopped by certain key shareholders <sup>1)</sup>

1) 50% backstopped by QIA and PIF, 50% backstopped by CSAV and Kühne



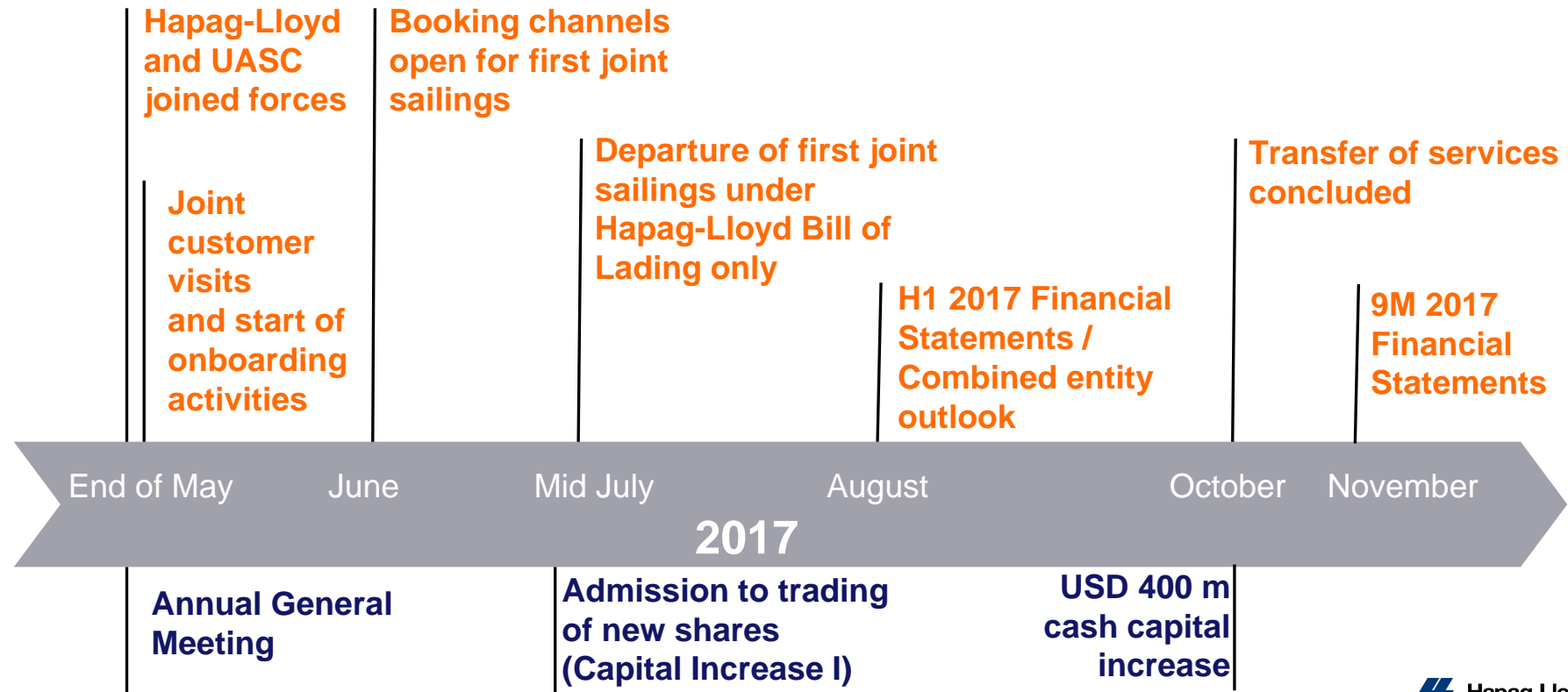
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Next Steps

# Our commitment: A seamless and quick integration



## Indicative timeline for the transition



# Closing Remarks



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- Combined entity **among the Top 5 global carriers** with a **strengthened market position** on key trades against the backdrop of a consolidating market
- Further **balancing of the trade portfolio** and **enhancement of risk diversification** – **strong Middle East presence** is being added to the Hapag-Lloyd network portfolio
- **Young and fuel-efficient fleet** with large share of ULCVs ensures a sustainable market position **without further short-term fleet investments**
- Significant value creation through expected run-rate synergies of **USD 435 m** p.a. from 2019 onwards – Hapag-Lloyd has a strong **track record of successfully extracting synergies**
- A strong partner in **THE Alliance network** with **supportive core shareholders** and capital market investors

## NEXT STEPS

- **USD 400 m cash capital increase** within six months from Closing (backstopped by certain key shareholders)
- We expect to conclude the **integration by October 2017**



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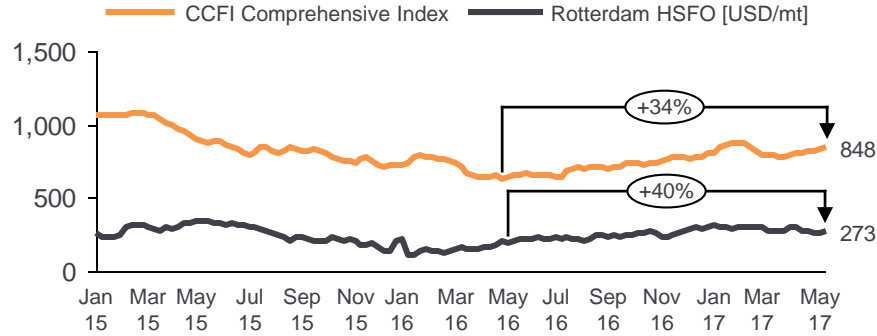
<https://www.hapag-lloyd.com/en/ir.html>



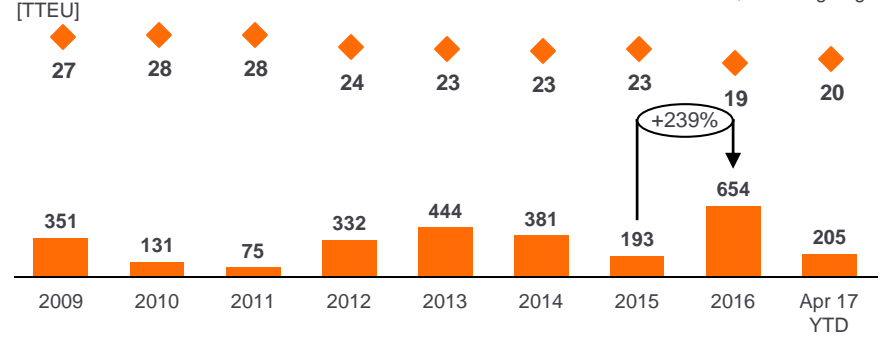
# Market Update



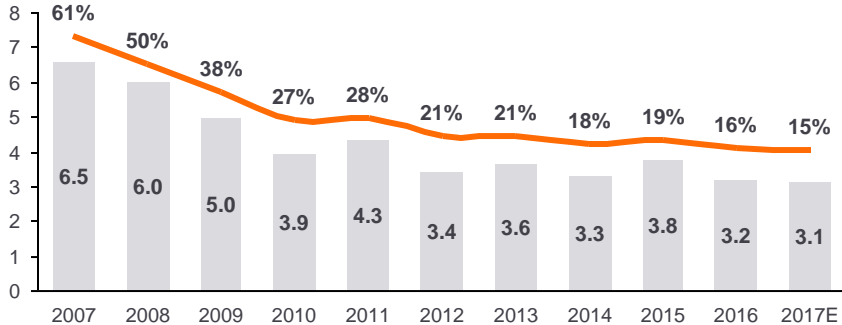
## CCFI v/s Bunker



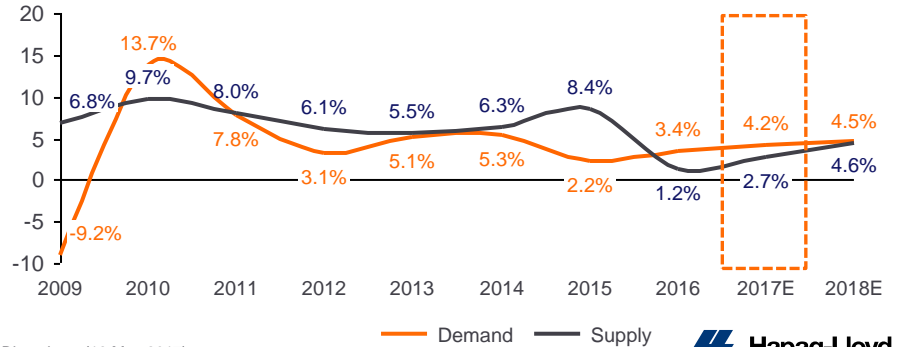
## Highest scrapping level ever ...



## Orderbook to fleet evolution

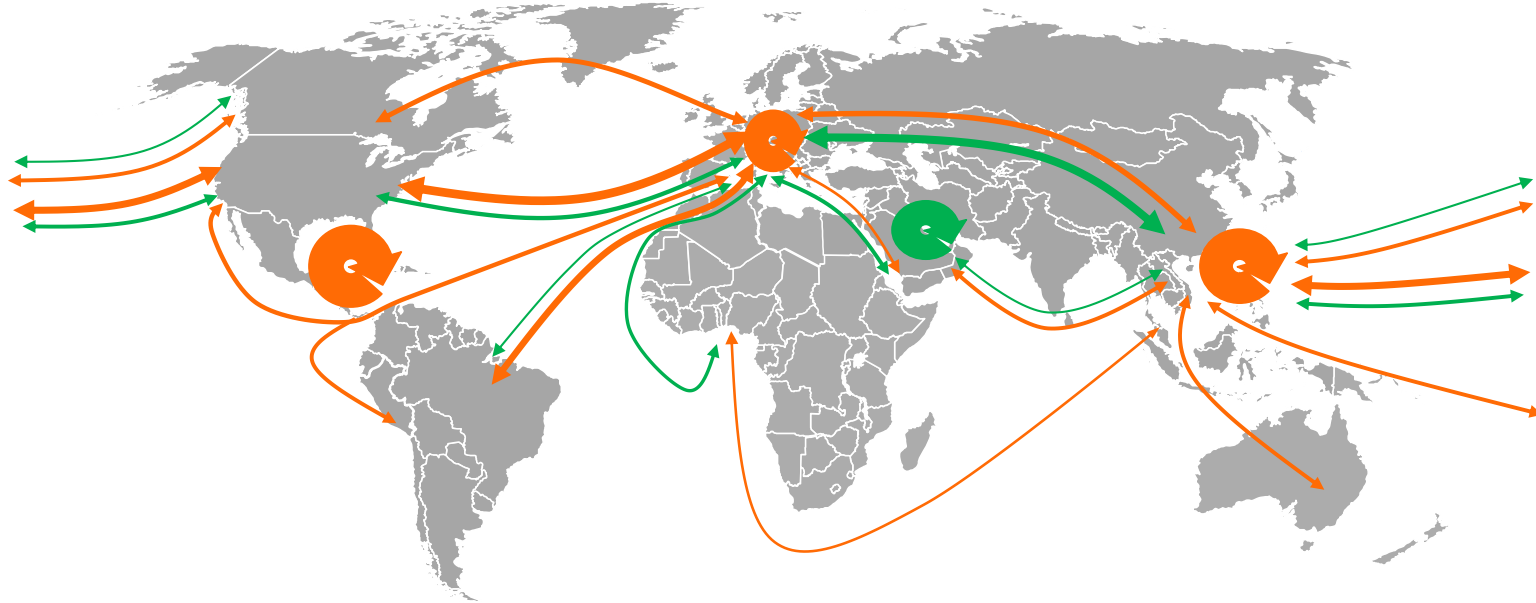


## ... reducing supply / demand gap



Source: Alphaliner (May 2017), Clarksons (1Q 2017), Drewry (Forecaster 1Q17), Shanghai Shipping Exchange (19 May 2017), Bloomberg (18 May 2017)

# Worldwide network of the Combined Entity










As of 31.03.2017

	Hapag-Lloyd	UASC
N° of Services	118	45
N° of Ports	559	220
N° of Inland points	5,385	967
N° of Countries	120	78

# Attractive vessel and container fleet



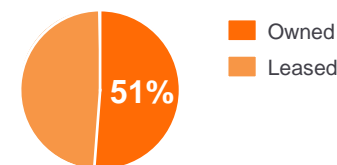
## Vessel fleet as of 31 March 2017

		Owned <sup>1)</sup>	Chartered <sup>3)</sup>	Current fleet	Current orderbook
	Capacity [TEU]	254,157	-	254,157	30,000 <sup>4)</sup>
>14,000 TEU	Vessels	15	-	15	2 <sup>4)</sup>
	Capacity [TEU]	291,930	40,092	332,022	-
10,000 TEU – 14,000 TEU	Vessels	23	4	27	-
	Capacity [TEU]	243,614	158,036	401,650	-
8,000 – 10,000 TEU	Vessels	28	18	46	-
	Capacity [TEU]	104,943	64,243	169,186	-
6,000 – 8,000 TEU	Vessels	15	10	25	-
	Capacity [TEU]	68,154	166,571	234,725	-
4,000 – 6,000 TEU	Vessels	15	34	49	-
	Capacity [TEU]	71,800	75,417	147,217	-
2,300 – 4,000 TEU	Vessels	21	25	46	-
	Capacity [TEU]	3,918	30,151	34,069	-
<2,300 TEU	Vessels	2	20	22	-
<b>Total</b>	<b>Capacity [TEU]</b>	<b>1,038,516<sup>2)</sup></b>	<b>534,510</b>	<b>1,573,026</b>	<b>30,000<sup>4)</sup></b>
	<b>Vessels</b>	<b>119</b>	<b>111</b>	<b>230</b>	<b>2<sup>4)</sup></b>

## Container fleet structure

as of 31 March 2017	N° of containers	TEU
<b>20 ft.</b>	<b>521,266</b>	<b>521,266</b>
General	504,885	504,885
Reefer	7,253	7,253
Special	9,128	9,128
<b>40 ft.</b>	<b>898,492</b>	<b>1,796,984</b>
General	797,579	1,595,158
Reefer	79,161	158,322
Special	21,752	43,504
<b>Total</b>	<b>1,419,758</b>	<b>2,318,250</b>

## Container fleet ownership<sup>5)</sup>



1) Incl. 3 long-term finance leases 2) Incl. 5 chartered-out 3) Includes long-term (>3 years), mid-term (1-3 years) and short-term (<1 year) charters

4) Planned to be delivered during the second half of 2017 5) Measured by the capacity in TEU

Source: MDS Transmodal (April 2017) plus HL internal data (HL Fleet as of 31.03.2017, Combined as of 31.03.2017), only vessels >399 TEU

# 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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