

# Investor Presentation – 1<sup>st</sup> Quarter Results 2016



13 May 2016

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**1** **Our deliverables** ■ We are on track and achieved operational break-even result in Q1

**2** **Our industry** ■ Difficult market but we remain cautiously optimistic for second half

**3** **Our position** ■ We are working hard to further strengthen our competitive position

**4** **Our track record** ■ We achieved a slightly positive EBIT despite record low freight rates

**5** **Our objectives** ■ Hapag-Lloyd will remain a strong Top 5 player and alliance partner

# Strategic highlights:

## We made good progress on our objectives 2016...



### OCTAVE



■ OCTAVE project further intensified and expanded in Q1 2016 – high double-digit USD million result improvements targeted

### CLOSE THE COST GAP



■ We took in 2 modern 3,500 TEU ships with wide-beam design for initial deployment in our Cabotage niche business

### COMPETE TO WIN



■ We are rolling out a worldwide improved sales organization and started a new sales process to improve revenues

### ALLIANCES



■ We secured our position in a strong and integrated alliance – six leading carriers create THE Alliance by April 2017

### CONSOLIDATION



■ We are in discussions with UASC regarding a potential business combination (72% / 28%)<sup>1)</sup> – no binding agreement signed yet

1) Subject to a mutually satisfactory completion of the negotiations and the mutual due diligence exercise

# Financial highlights: ...and remained profitable despite record low rates



**Transport volume**

**+2.1%**

Q1 2016: 1.8 TEU m

**Freight rate**

**-19.8%**

Q1 2016: 1,067 USD/TEU

**Transport expenses**

**-17.0%**

Q1 2016: 970 USD/TEU

**EBITDA**

**USD 136 m**

6.4% EBITDA margin

**EBIT**

**USD 5 m**

Break-even EBIT

**Group profit / loss**

**USD -47 m**

In line with Q4 2015

**Equity**

**USD 5.4 bn**

Solid equity base

**Liquidity reserve**

**USD 904 m**

Adequate liquidity

**Financial debt**

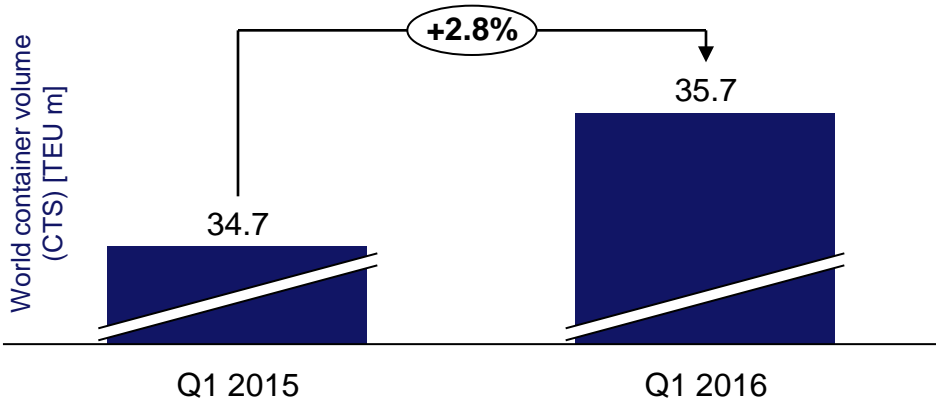
**USD 4.2 bn**

Reduced debt

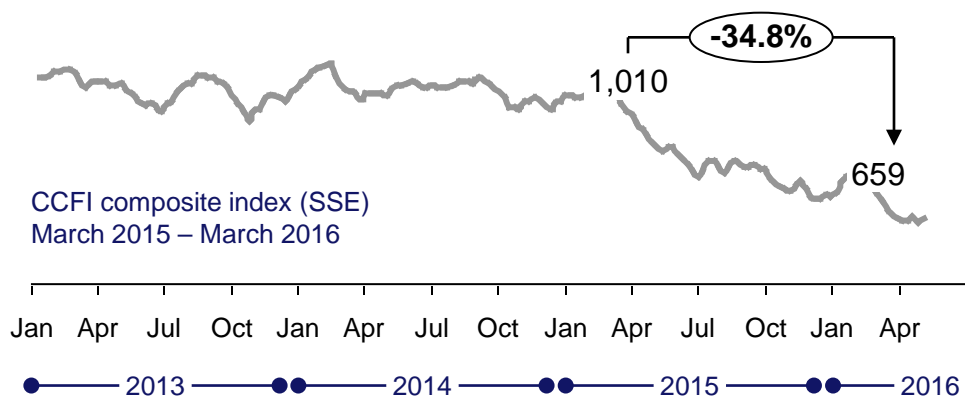
# Difficult market – Freight rates are on record low, levels and carrier results remain under pressure



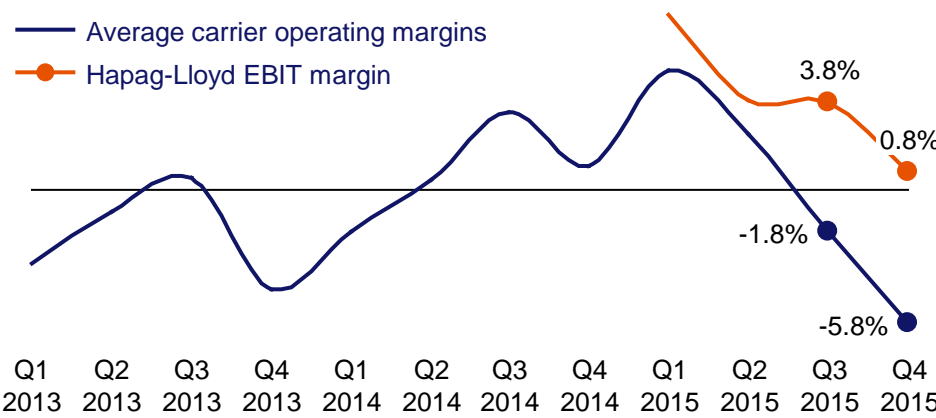
## Global volumes pick up slightly in Q1...



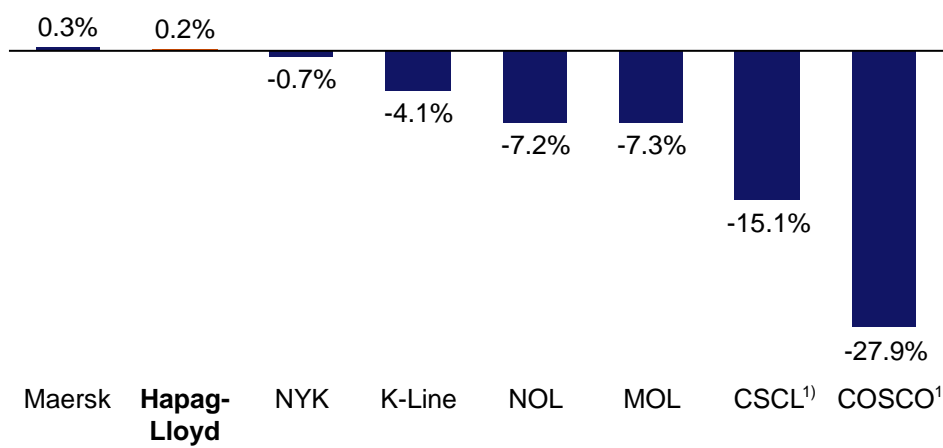
## ...while freight rates remain on record lows



## Q4 results were already under pressure...



## ...and Q1 2016 results continue to be

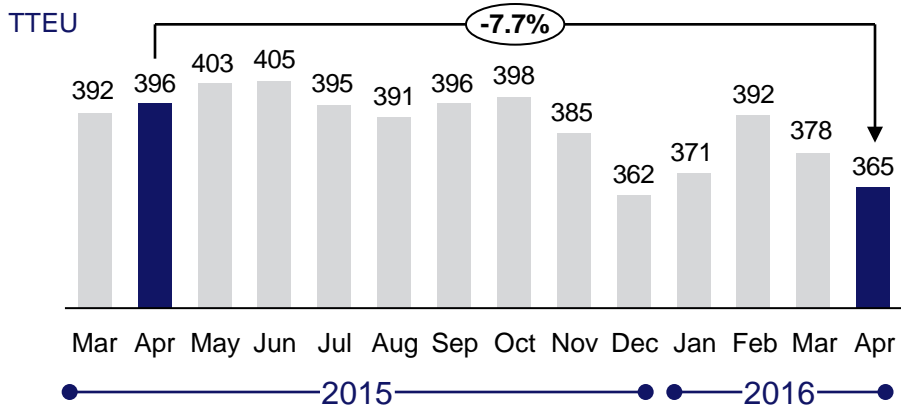


- 1 Our deliverables
- 2 Our industry**
- 3 Our position
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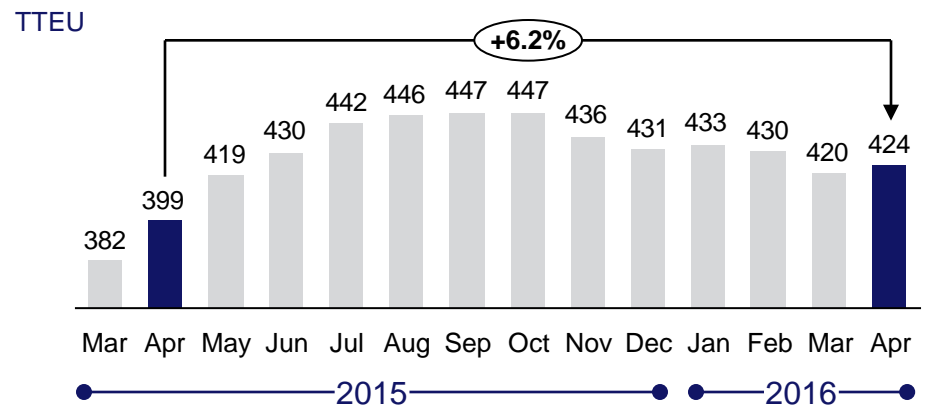
# Capacity measures are being taken esp. Asia-Europe & Asia-Latin America – Yet, potentially more to come



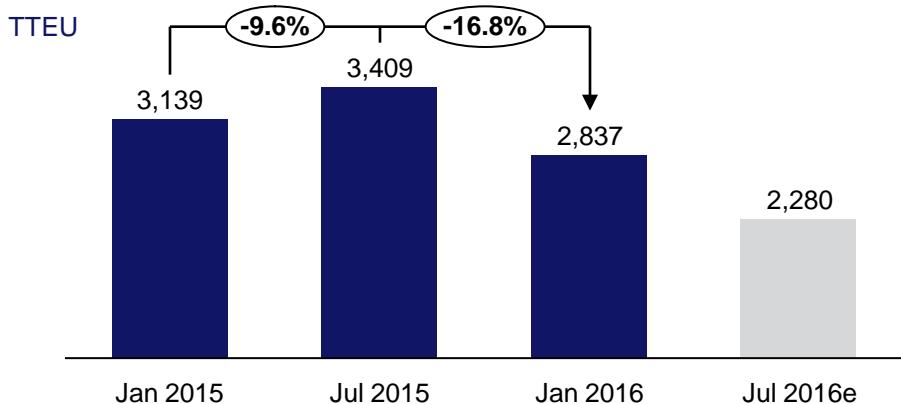
## Asia – Europe [weekly capacity]



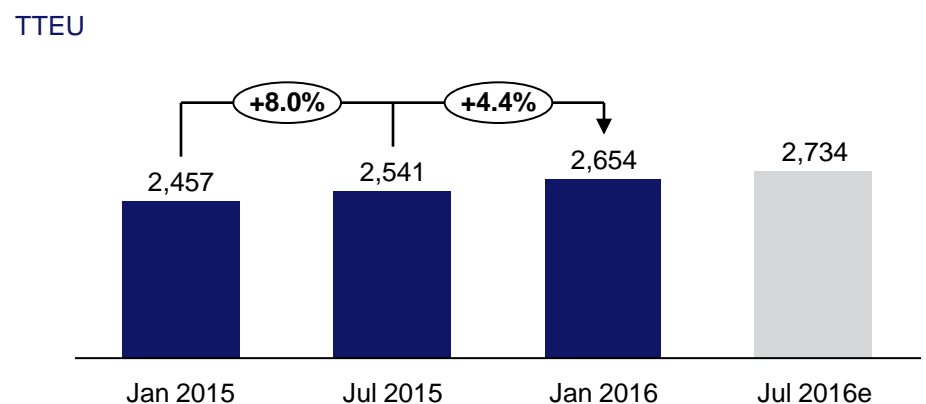
## Asia – North America [weekly capacity]



## Asia – ECSA<sup>1)</sup> [annualized capacity]



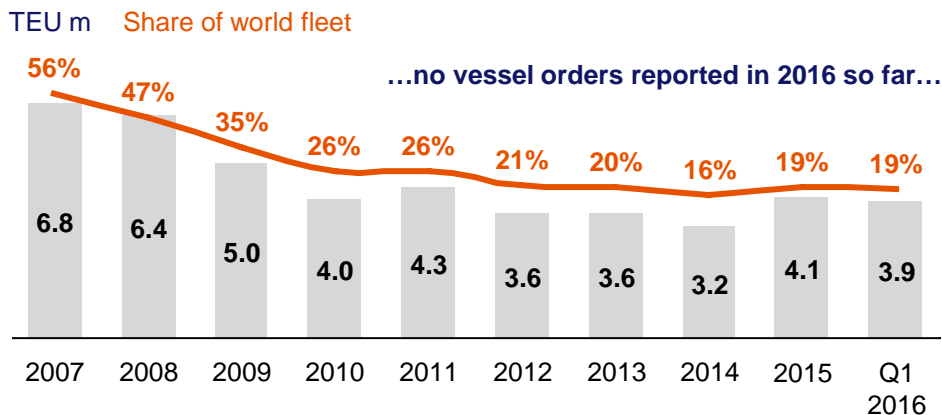
## Europe – ECSA<sup>1)</sup> [annualized capacity]



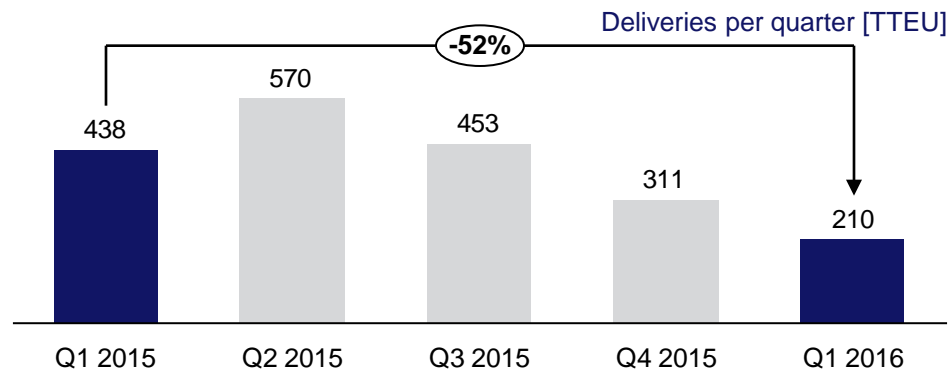
1) ECSA = East Coast South America

# There are some signs to expect a sequential recovery over the coming months of 2016

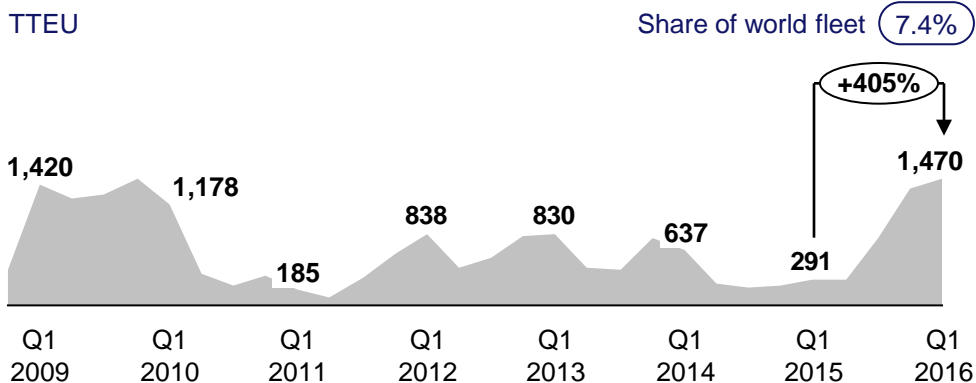
## Orders for newbuilds normalized...



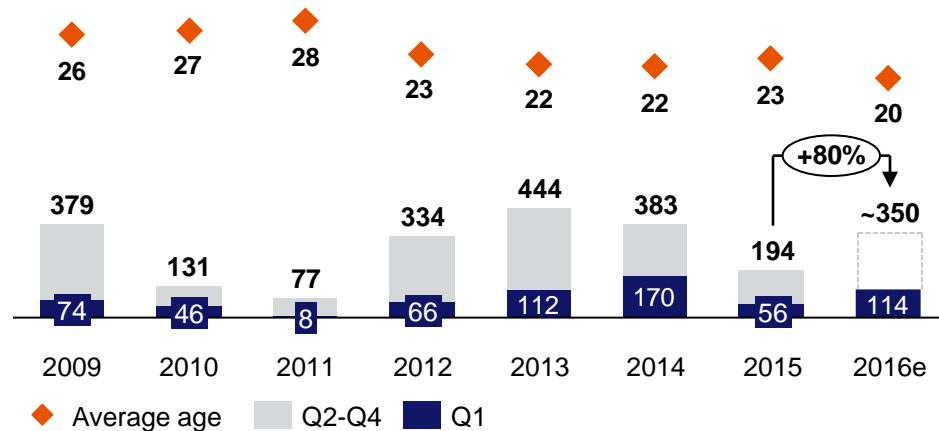
## ...and ship deliveries in Q1 slowed down



## Idle capacity at record highs...



## ...and scrapping is increasing

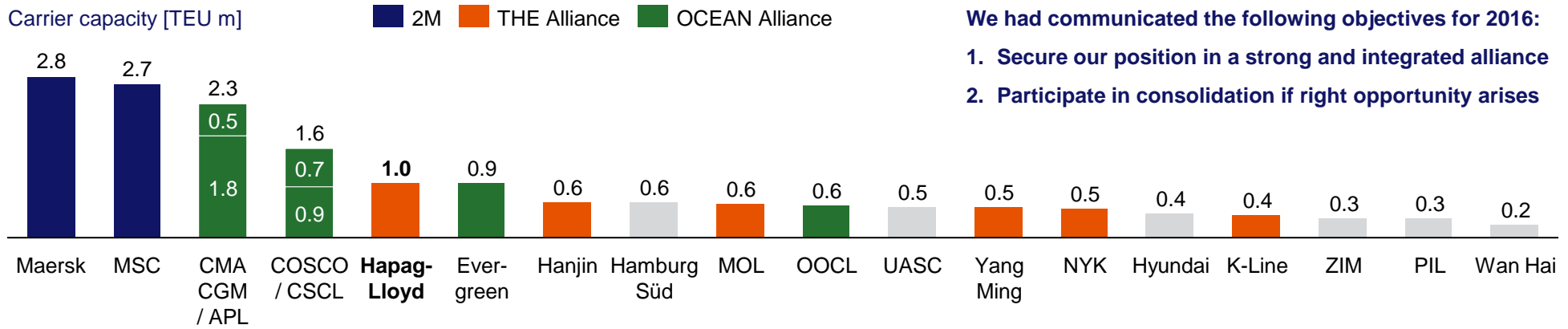




# Going forward the industry is changing – Alliances are being reshaped and leading players are consolidating

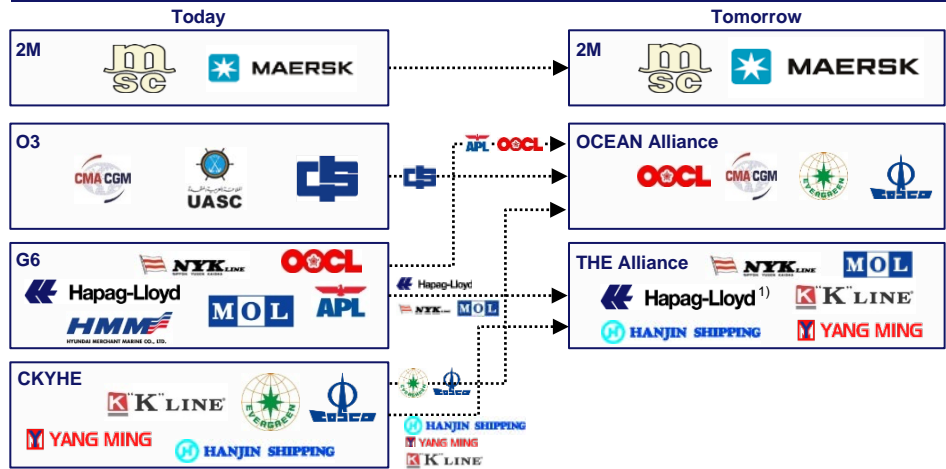


## The industry is changing

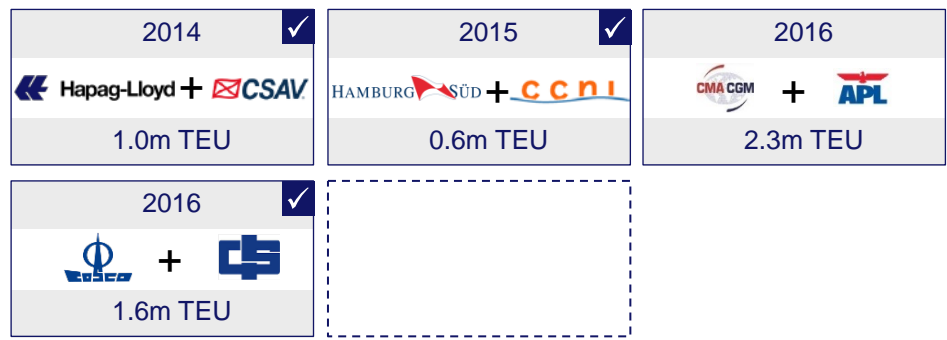


- We had communicated the following objectives for 2016:
1. Secure our position in a strong and integrated alliance
  2. Participate in consolidation if right opportunity arises

## Alliances are being re-shaped...



## ...in the face of a consolidating market



1) Subject to a successful closure of the transaction between Hapag-Lloyd and UASC, as well as regulatory approvals, the UASC tonnage is anticipated to become part of THE Alliance

# Hapag-Lloyd will be a leading partner in a strong and integrated alliance to start in April 2017

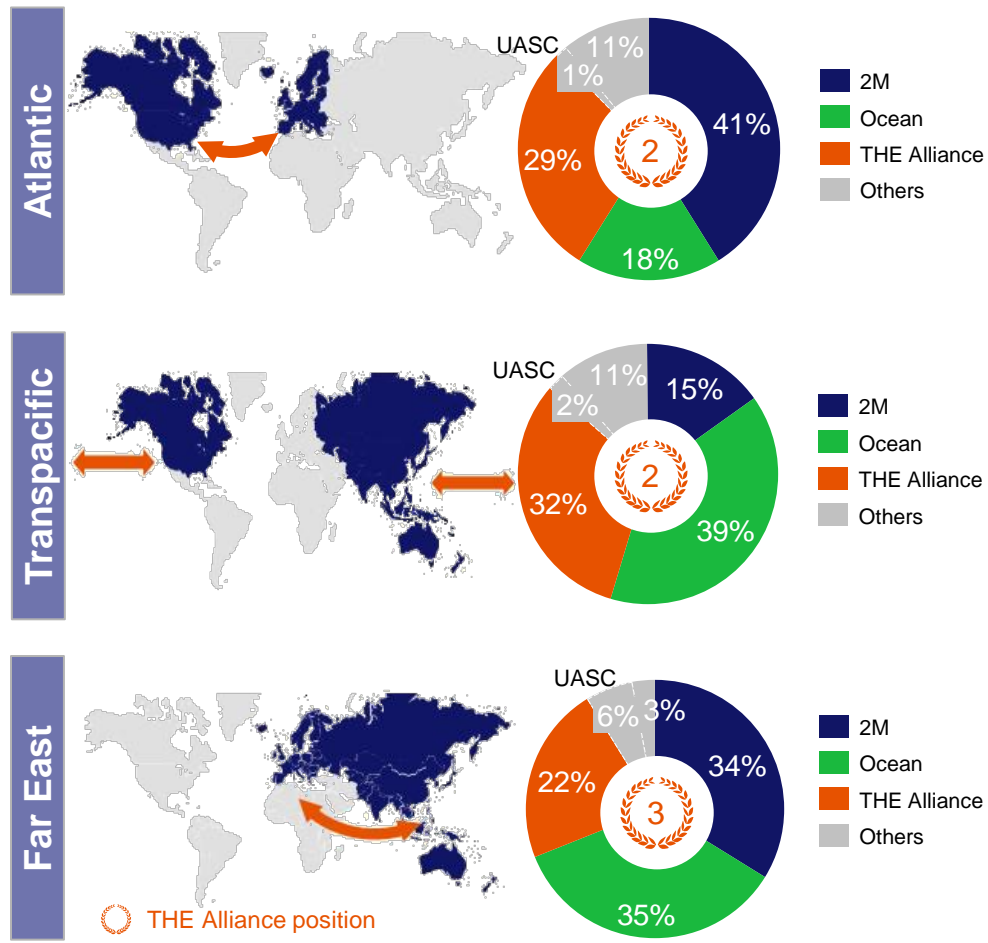


## Six leading players create THE Alliance



- THE Alliance covers all East-West trades
  - Atlantic, Transpacific and Far East including
  - Asia-Middle East / Persian Gulf and Red Sea
- Binding agreement signed by all six partners
  - Begin of operation in April 2017<sup>2)</sup>
  - The initial period will be 5 years
- Combined capacity of 3.5 m TEU or 18% of world fleet – vessel pool taken from a total of 650 ships
  - In case of successful merger talks between Hapag-Lloyd and UASC, the overall nominal capacity would increase to approx. 4 m TEU
- Leading product characterized by fast transit times, broad port coverage and the latest vessels

## Competitive position on East-West trades<sup>1)</sup>



1) Subject to a successful closure of the transaction between Hapag-Lloyd and UASC, as well as regulatory approvals, the UASC tonnage is anticipated to become part of THE Alliance  
 2) Subject to approval of all relevant authorities

# Industry consolidation – Talks between Hapag-Lloyd and United Arab Shipping Company ongoing

## Forms of cooperation being discussed / No binding results yet



- Hapag-Lloyd AG (HL) and United Arab Shipping Company SAG (UASC) are currently discussing forms of cooperation including a potential combination of their mutual container shipping operations
- In case of a business combination, the parties are basing their discussions on a relative valuation of the two businesses at 72% (HL) and 28% (UASC), subject to a mutually satisfactory completion of the negotiations and the mutual due diligence exercise
- To date, the discussions conducted between the two carriers have not resulted in any binding agreement and no assurance can be given that these discussions will lead to a definitive agreement







✓ Should any relevant development occur, more information will be published

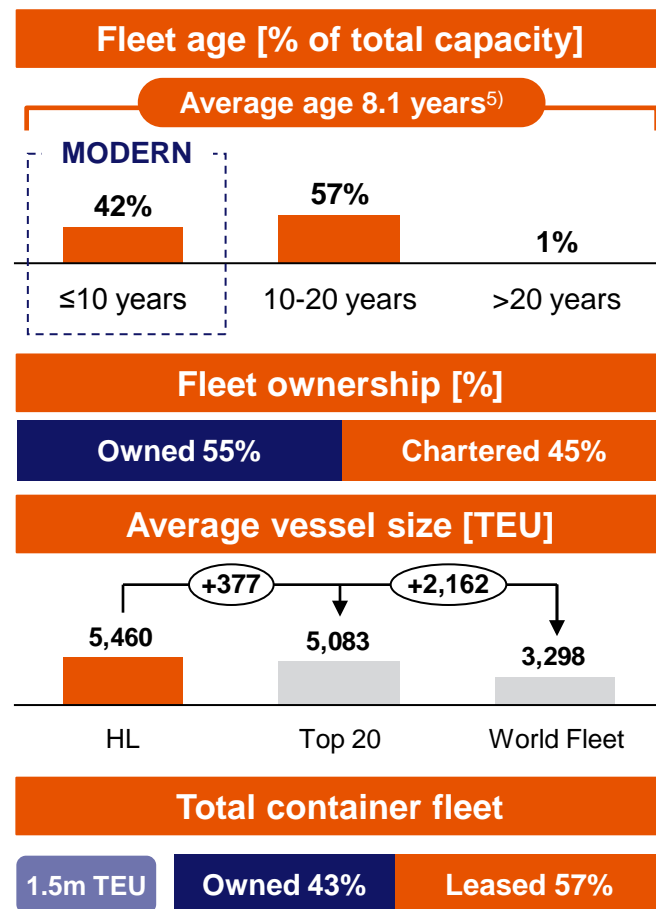
- 1 Our deliverables
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# Our fleet remains competitive – We will not invest further at this time



## Vessel fleet as of 31 March 2016

		Owned <sup>1)</sup>	Chartered <sup>4)</sup>	Current fleet	Current orderbook
	Capacity [TEU]	131,674		<b>131,674</b>	<b>52,945</b>
>10,000 TEU	Vessels	10		<b>10</b>	<b>5</b>
	Capacity [TEU]	243,614	76,602	<b>320,216</b>	
8,000 – 10,000 TEU	Vessels	28	9	<b>37</b>	
	Capacity [TEU]	49,743	44,913	<b>94,656</b>	
6,000 – 8,000 TEU	Vessels	7	7	<b>14</b>	
	Capacity [TEU]	68,154	202,440	<b>270,594</b>	
4,000 – 6,000 TEU	Vessels	15	43	<b>58</b>	
	Capacity [TEU]	30,292	75,314	<b>105,606</b>	
2,300 – 4,000 TEU	Vessels	10	25	<b>35</b>	
	Capacity [TEU]	3,918	28,821	<b>32,739</b>	
<2,300 TEU	Vessels	2	19	<b>21</b>	
<b>Total</b>	<b>Capacity [TEU]</b>	<b>527,395<sup>2)</sup></b>	<b>428,090<sup>3)</sup></b>	<b>955,485</b>	<b>52,945</b>
	<b>Vessels</b>	<b>72</b>	<b>103</b>	<b>175</b>	<b>5</b>







1) Incl. 3 long-term finance leases 2) Incl. 3 chartered-out 3) Incl. 1 chartered-out 4) Includes long-term (>3 years), mid-term (1-3 years) and short-term (<1 year) charters  
 5) Weighted average age by capacity 6) 2x 3,508 TEU vessels built 2015 acquired by HLAG from NileDutch in February / April 2016

# OCTAVE 2 project gained further traction in Q1 2016



## OCTAVE project

### Existing OCTAVE initiatives

New OCTAVE initiatives	Procurement	 <b>G6 Enhancement</b> – create integrated alliance
		 <b>Procurement</b> – reduction of expenses
		 <b>Transshipment</b> – optimize shipment flows
	Fleet & Network	 <b>Ship Size</b> – increase operational intake
		 <b>Stowage</b> – optimize stowage process
		 <b>Service Portfolio</b> – reduce complexity
	Sales & Product	 <b>Weight Utilization</b> – optimize space usage
		 <b>Demurrage / Detention</b> – increase collection

Further cost savings and efficiency improvements:

High double-digit USD million figure by 2017

- 1 Our deliverables
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# Improved sales organization and better sales processes with significant potential to improve revenues



## COMPETE TO WIN Project

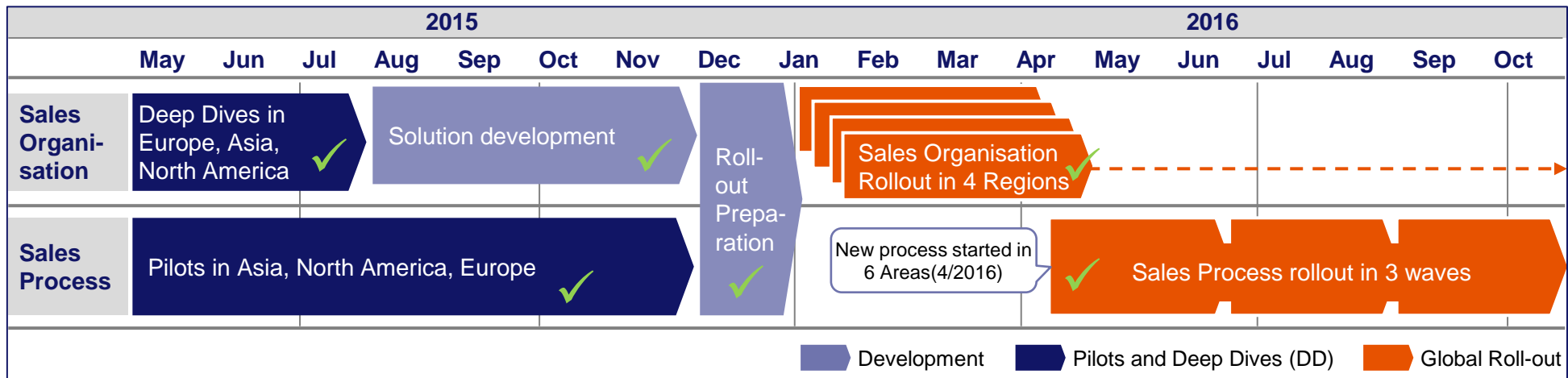


### Employee training

- 600** Sales Executives
- 670** Sales Support
- 200** Sales Steering
- 750** CS Booking

Global rollout finished 2016

Improve revenues and revenue quality



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# We achieved a break-even EBIT despite record low freight rates



## Operational KPIs

	Q1 2016	Q4 2015	QoQ Δ/%	Q1 2015	YoY Δ/%
Transport volume [TTEU]	1,811	1,822	-11 / -0.6%	1,774	+37 / +2.1%
Freight rate [USD/TEU]	1,067	1,116	-49 / -4.4%	1,331	-264 / -19.8%
Bunker price [USD/t]	178	245	-67 / -27.3%	378	-200 / -52.9%
Exchange rate [EUR/USD]	1.10	1.09	+0.01 / +0.7%	1.13	-0.03 / -2.1%
Revenue [USD m]	2,124	2,225	-101 / -4.5%	2,593	-469 / -18.1%
EBITDA [USD m]	136	152	-16 / -10.5%	319	-183 / -57.4%
EBIT [USD m]	5	18	-13 / -70.6%	196	-191 / -97.3%
EAT [USD m]	-47	-52	+5 / +10.1%	144	-191 / n.m.
Investments [USD m] <sup>1)</sup>	105	46	+59 / +129.9%	319	-214 / -67.2%

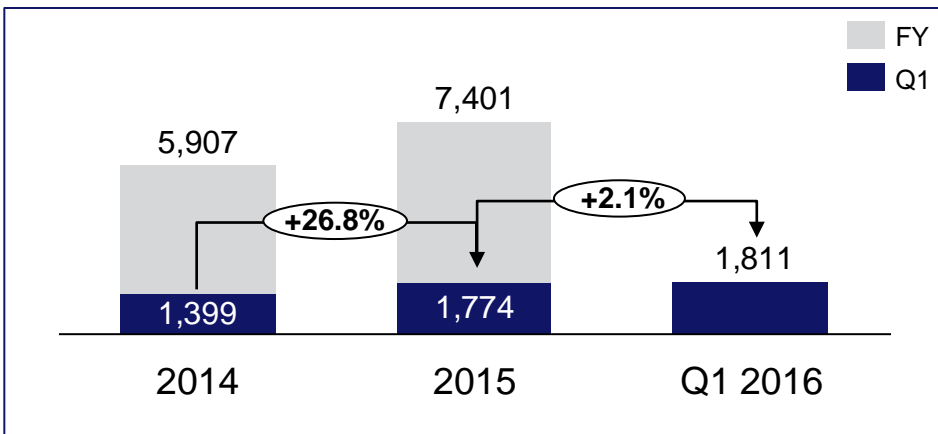
1) Balance sheet investments in PPE

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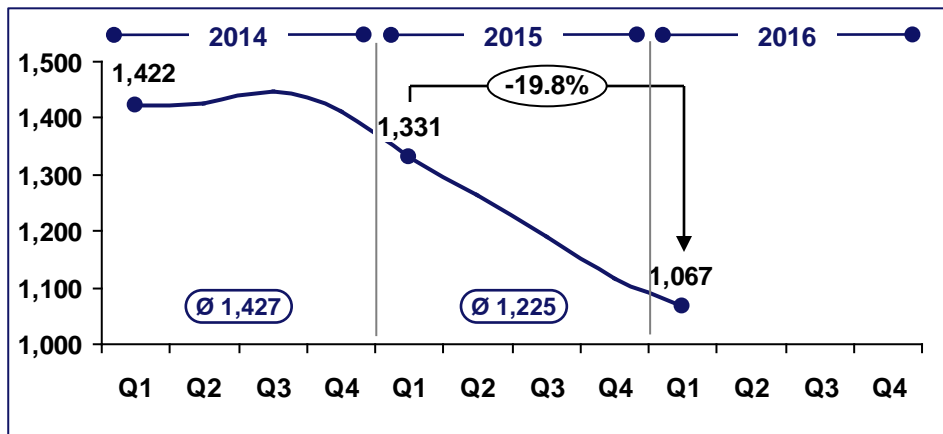
# Transport volume increased by 2.1% while freight rates decreased 19.8%



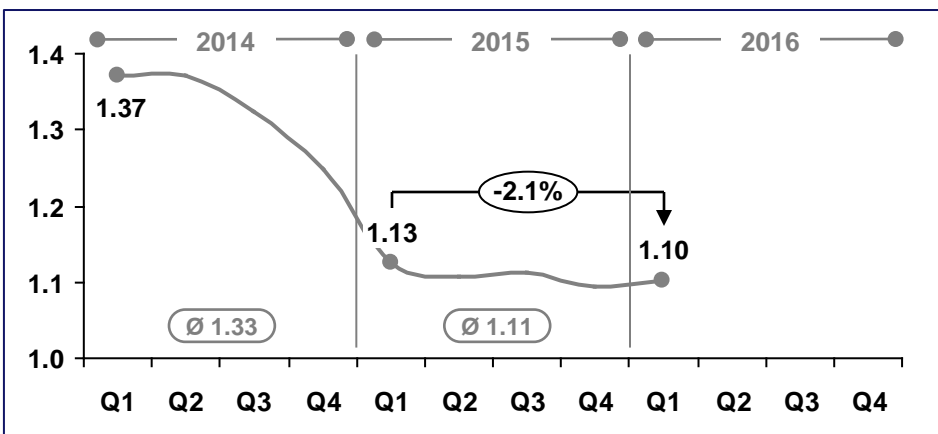
### Transport volume [TTEU]



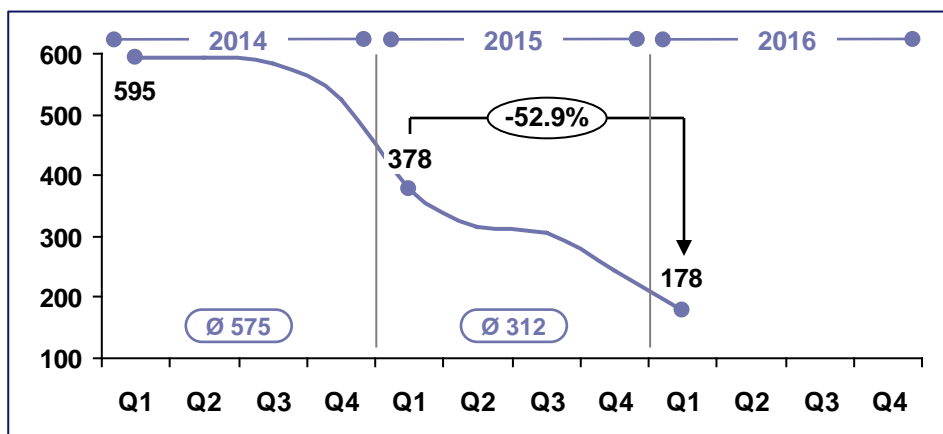
### Freight rate [USD/TEU]



### FX-rate (USD/EUR)



### Bunker price [USD/mt]



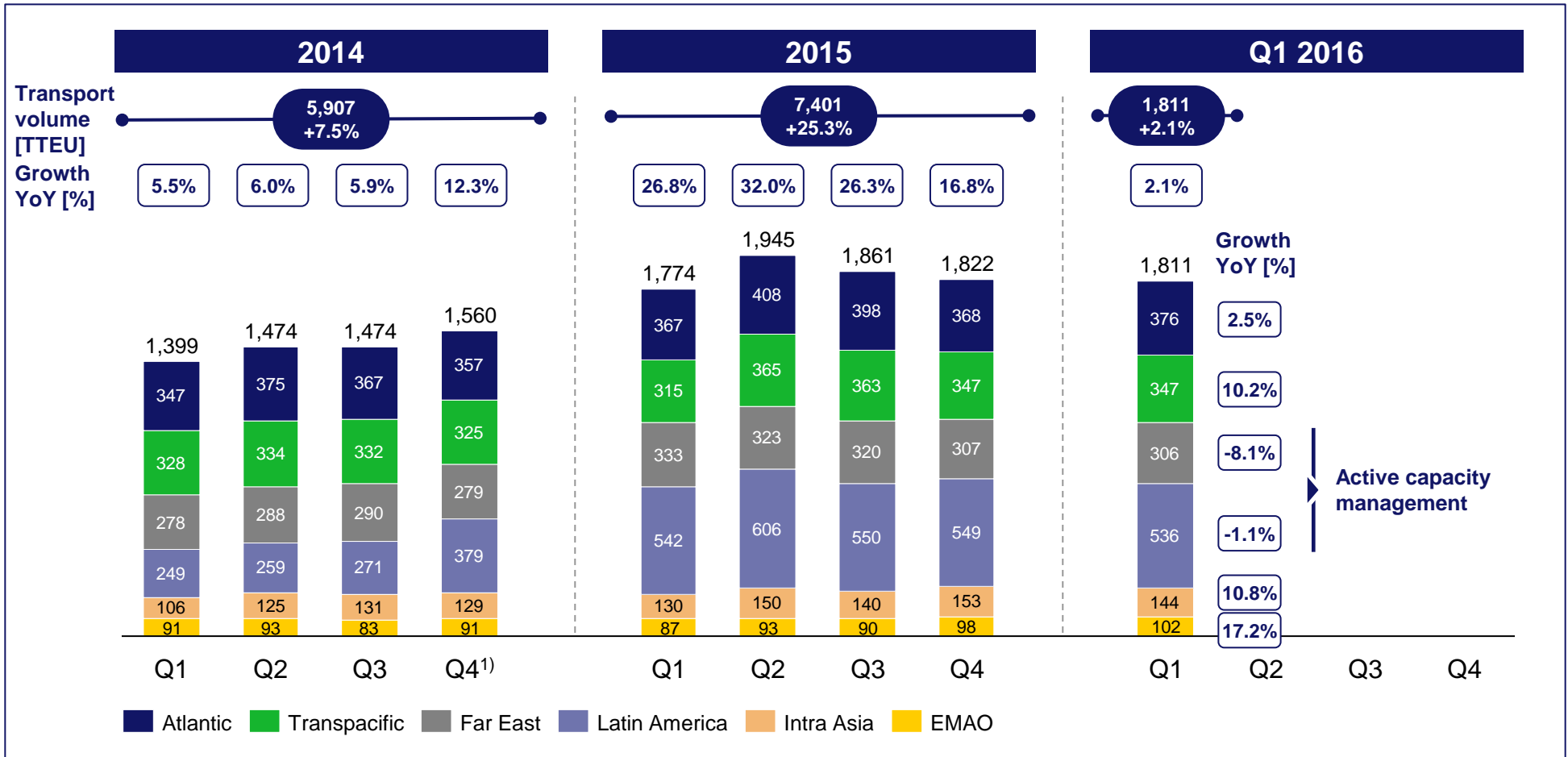


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# Due to active yield management, we decreased our volumes on selected trades (FE and LA)



## Transport volume [TTEU]



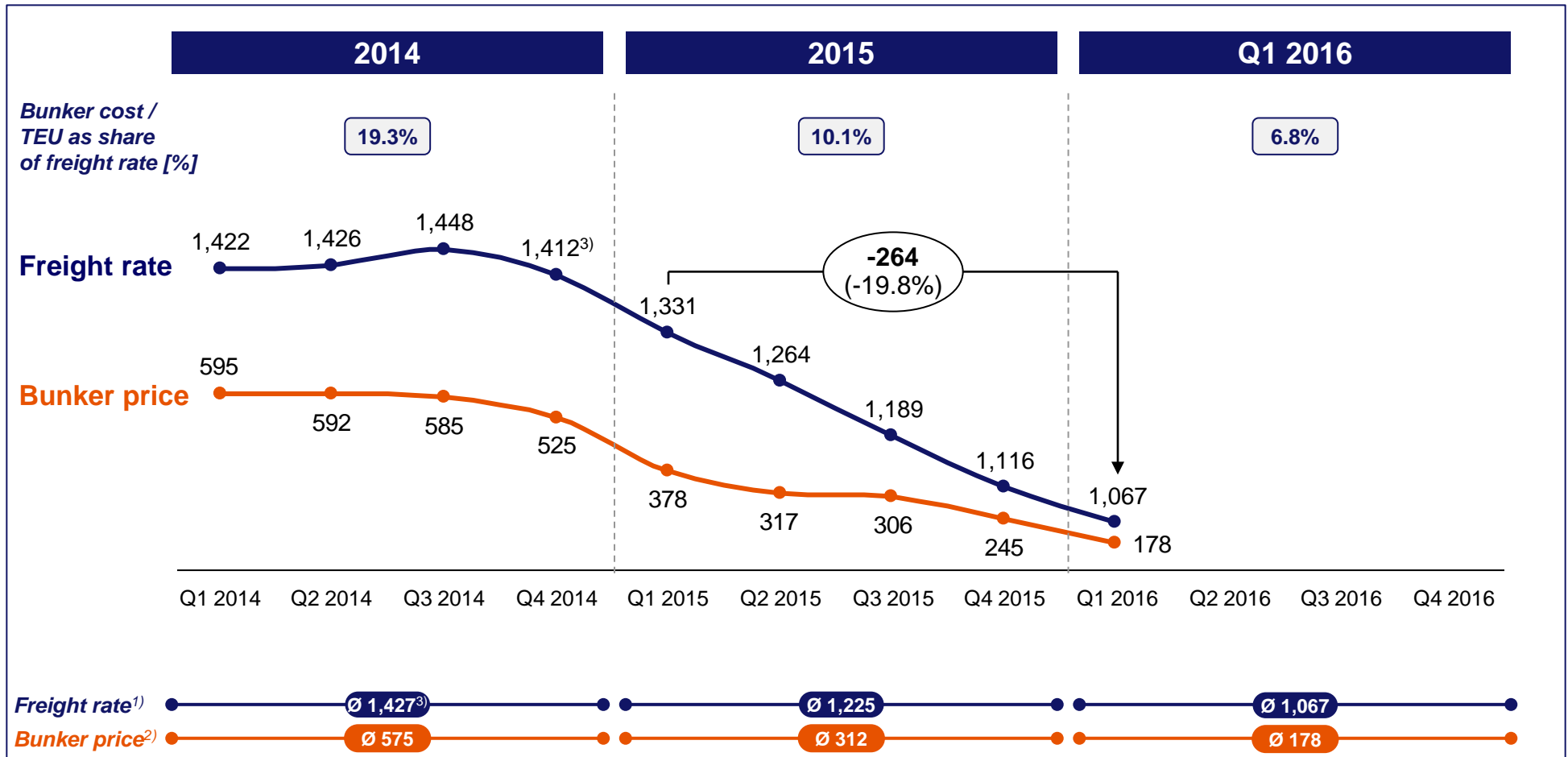
1) HLAG + CCS as of 2 December 2014

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# Freight rate dropped -264 USD/TEU to 1,067 USD/TEU – Our average bunker price decreased to 178 USD/t



## Freight rate<sup>1)</sup> [USD/TEU] vs. bunker price<sup>2)</sup> [USD/t]

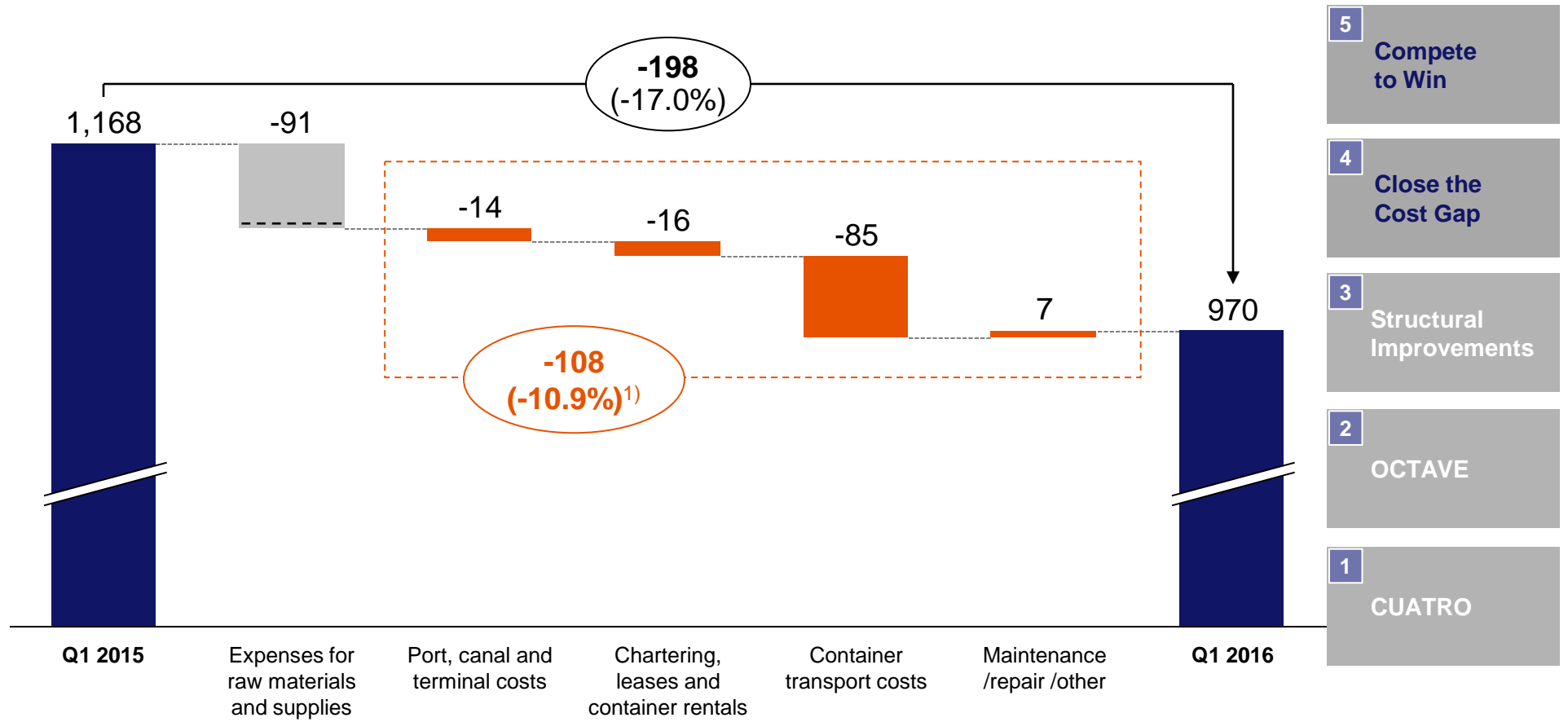


1) Hapag-Lloyd average freight rate per year    2) Hapag-Lloyd average consumption price per year, 2014 excl. CCS (1M)    3) HLAG + CCS as of 2 December 2014

# Hapag-Lloyd remains focused on unit cost reduction



## Transport expenses per TEU [USD/TEU]



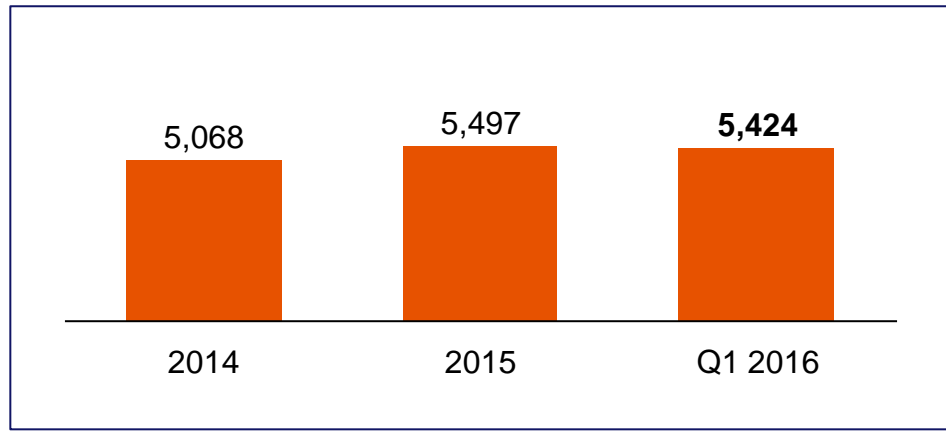
- 5 **Compete to Win**
- 4 **Close the Cost Gap**
- 3 **Structural Improvements**
- 2 **OCTAVE**
- 1 **CUATRO**

1) Cost of purchased services Q1 2015: 992 USD/TEU

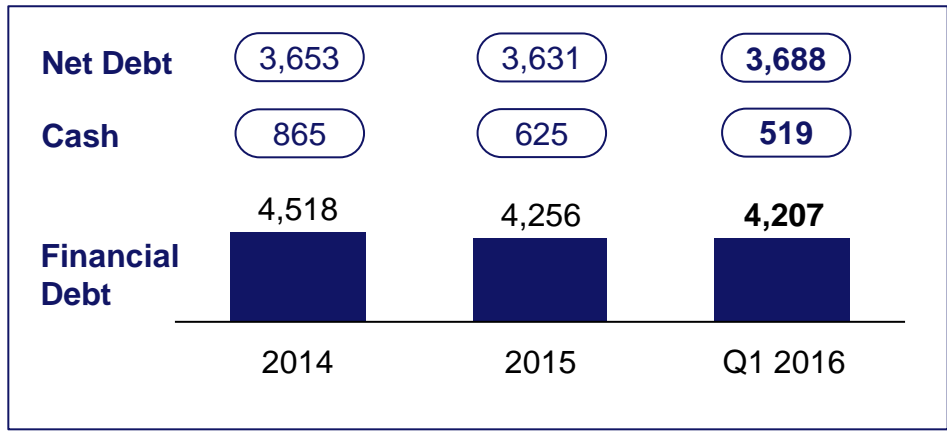
# Equity base at USD 5.4 bn and liquidity at USD 0.9 bn



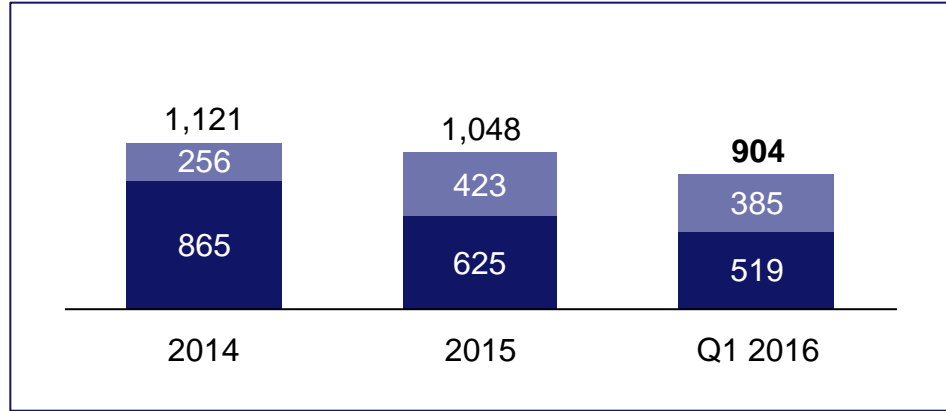
## Solid equity base [USD m]



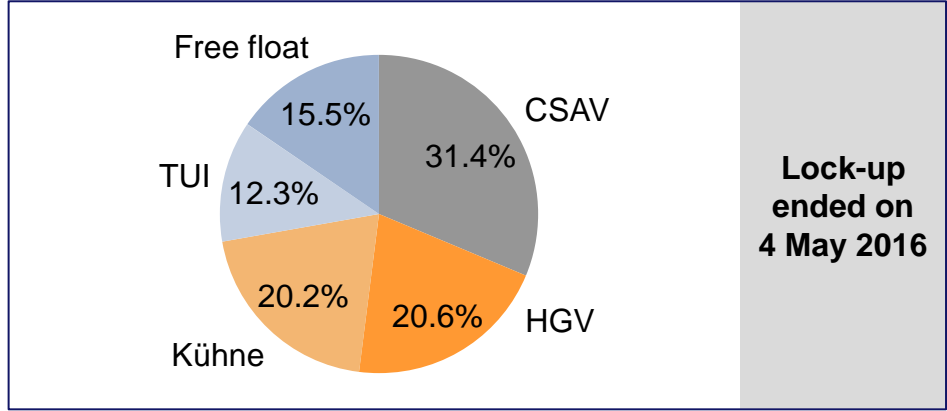
## Reduced financial debt [USD m]



## Adequate liquidity reserve [USD m]



## Solid shareholder base



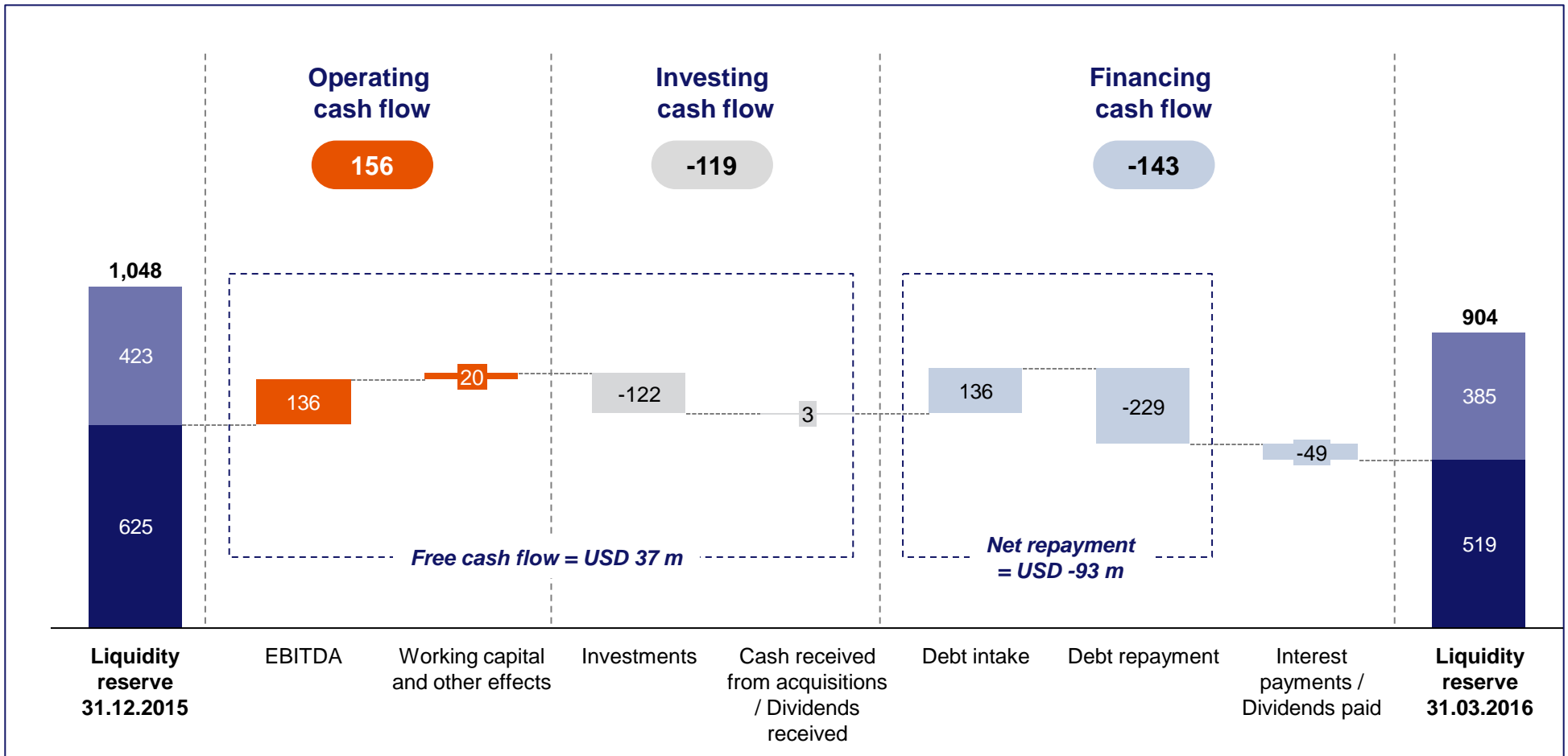
■ Unused credit lines   ■ Cash and cash equivalents

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# Positive free cash flow of USD 37 m in Q1 2016 – Net repayment in financial debt of USD 93 m



## Cash flow Q1 2016 [USD m]



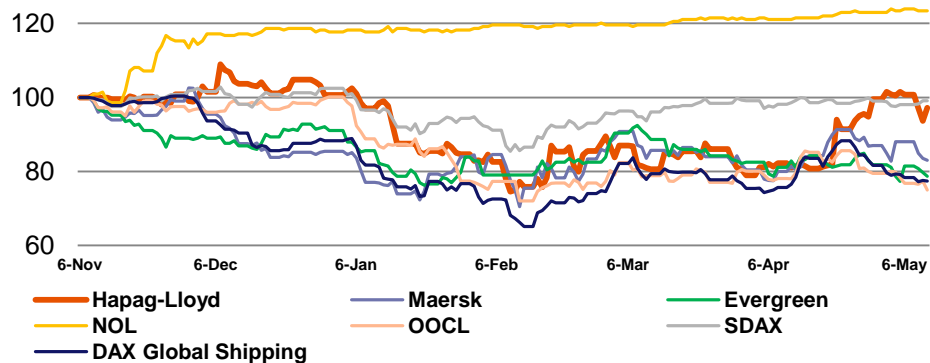
■ Unused credit lines   ■ Cash and cash equivalents

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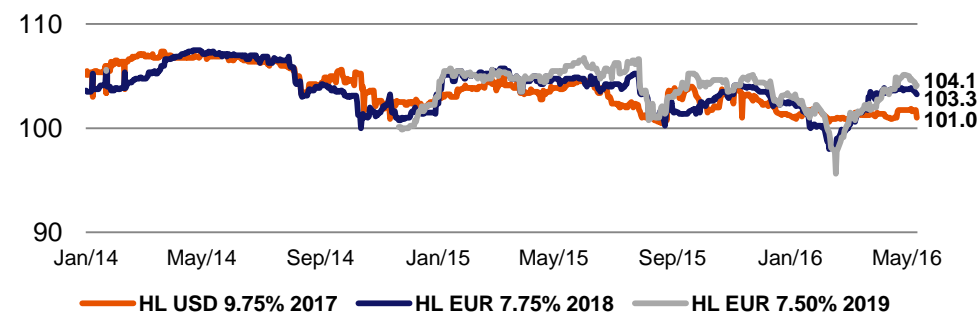
# Hapag-Lloyd stock in SDAX since March 2016 – Next change of redemption prices in October 2016



## Share trading



## Bonds trading



<b>Stock exchange</b>	Frankfurt Stock Exchange / Hamburg Stock Exchange
<b>Market segment / Index</b>	Regulated market (Prime Standard) / SDAX
<b>ISIN / WKN / Ticker Symbol</b>	DE000HLAG475 / HLAG47 / HLAG
<b>Primary listing</b>	6 November 2015
<b>Number of shares</b>	118,110,917
<b>Lock-up</b>	4 May 2016

	EUR Bond 2019	EUR Bond 2018	USD Bond 2017
<b>Listing</b>	Open market of the Luxembourg Stock Exchange (Euro MTF)		
<b>Volume</b>	EUR 250 m	EUR 400 m	USD 125 m <sup>1)</sup>
<b>ISIN / WKN</b>	XS1144214993 / A13SNX	XS0974356262 / A1X3QY	USD33048AA36 / A1E8QB
<b>Maturity date</b>	Oct 15, 2019	Oct 1, 2018	Oct 15, 2017
<b>Redemption price</b>	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%	as of Oct 15, 2015:102.4375% as of Oct 15, 2016:100%
<b>Coupon</b>	7.50%	7.75%	9.75%

1) Partially redeemed by nominal USD 125 m on 30 Dec 2015

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# We expect a moderate increase in EBITDA for 2016 with focus in the second half of this year



## Hapag-Lloyd guidance for FY 2016






<b>Transport volume</b>	<b>Increasing slightly</b>
<b>Bunker consumption price</b>	<b>Clearly decreasing</b>
<b>Freight rate</b>	<b>Clearly decreasing</b>
<b>EBITDA</b>	<b>Increasing moderately</b>
<b>EBIT</b>	<b>Clearly increasing</b>

## Market forecasts for FY 2016

<b>Global economic growth</b>	<b>+3.2%</b>
<b>Increase in global trade</b>	<b>+3.1%</b>
<b>Increase in global container transport volume</b>	<b>+3.0%</b>

## Hapag-Lloyd sensitivities for Q2-Q4 2016

<b>Transport volume</b>	+/- 100 TTEU	+/- USD <0.1 bn
<b>Freight rate</b>	+/- 50 USD/TEU	+/- USD ~0.3 bn
<b>Bunker price</b>	+/- 100 USD/t	-/+ USD <0.3 bn
<b>EUR / USD</b>	+/- 0.1 EUR/USD	-/+ USD <0.1 bn

-  **1 Our deliverables**
  - We are on track and achieved operational break-even result in Q1
-  **2 Our industry**
  - Difficult market but we remain cautiously optimistic for second half
-  **3 Our position**
  - We are working hard to further strengthen our competitive position
-  **4 Our track record**
  - We achieved a slightly positive EBIT despite record low freight rates
-  **5 Our objectives**
  - Hapag-Lloyd will remain a strong Top 5 player and alliance partner



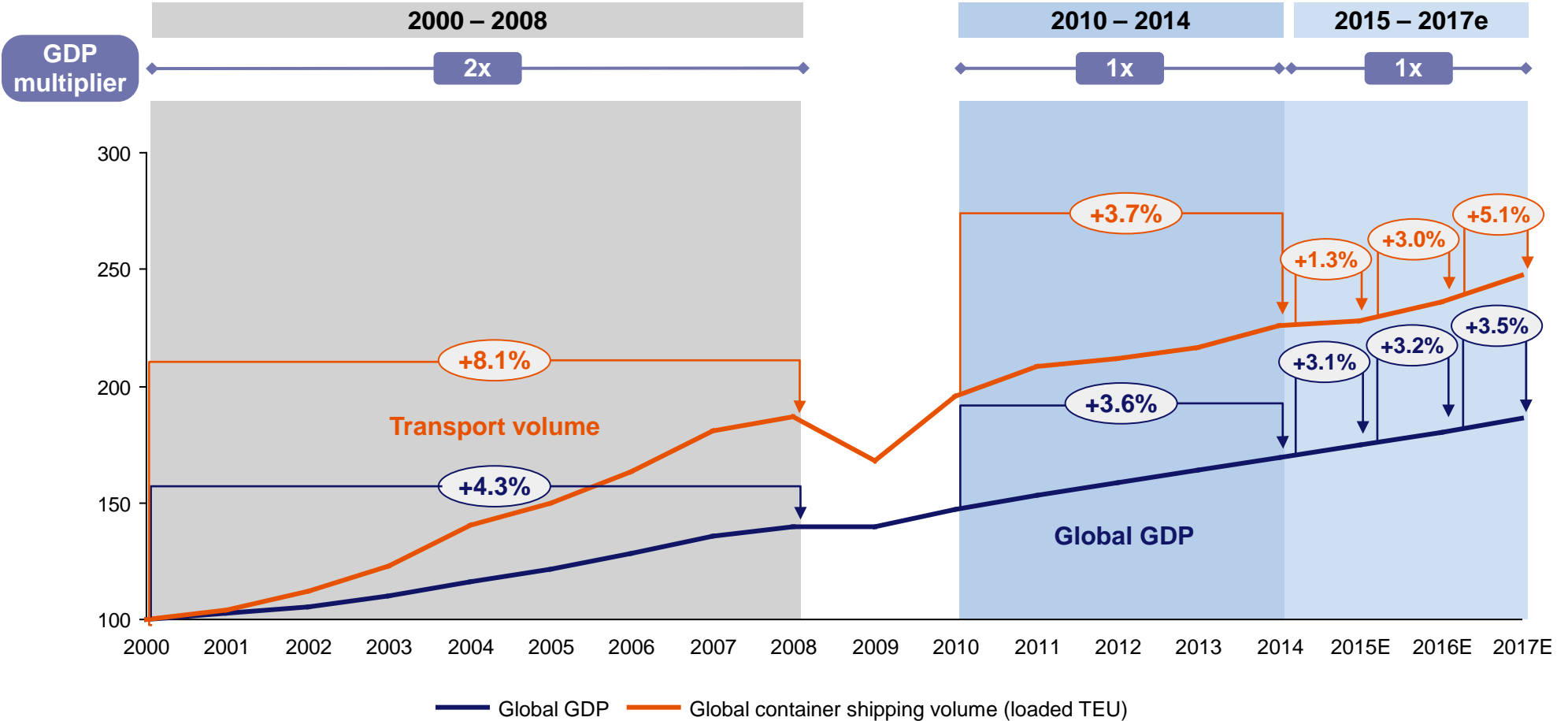
Q&A



# The industry stays highly correlated with global growth – Short term outlook at lower end of mid term 3-5% range

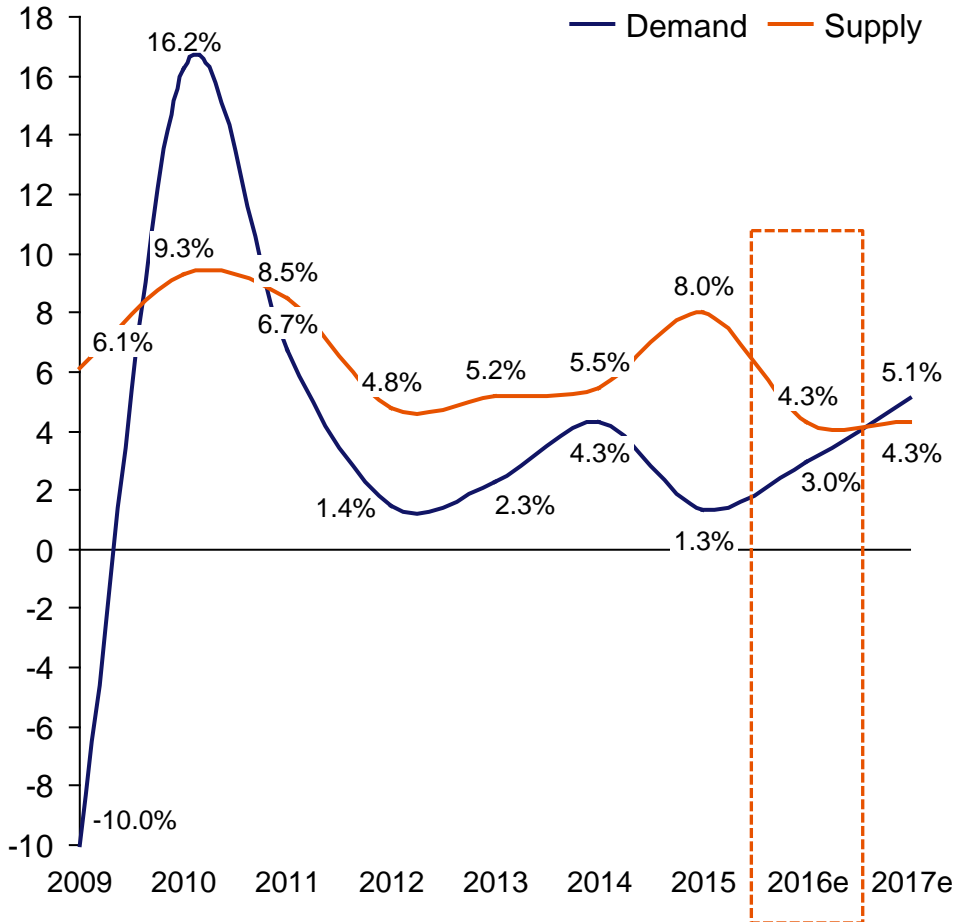
## Container shipping volume and global GDP growth

2000 = Indexed to 100

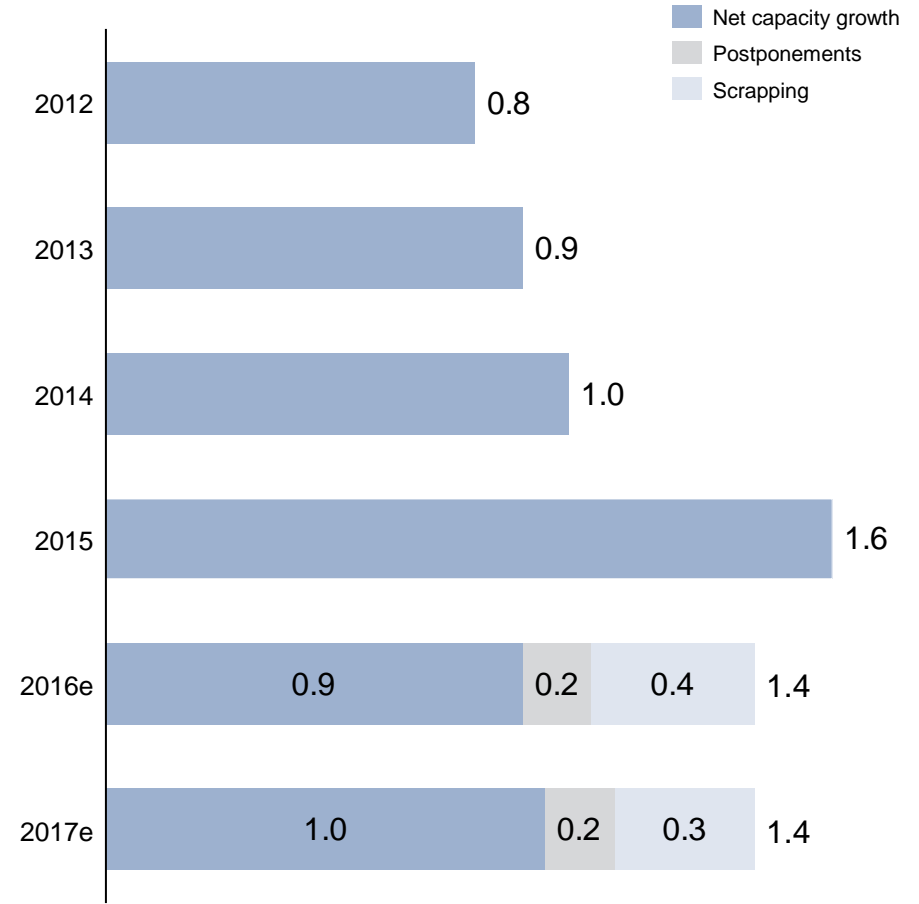


# Supply demand gap expected to decrease in 2016

## Supply / demand development

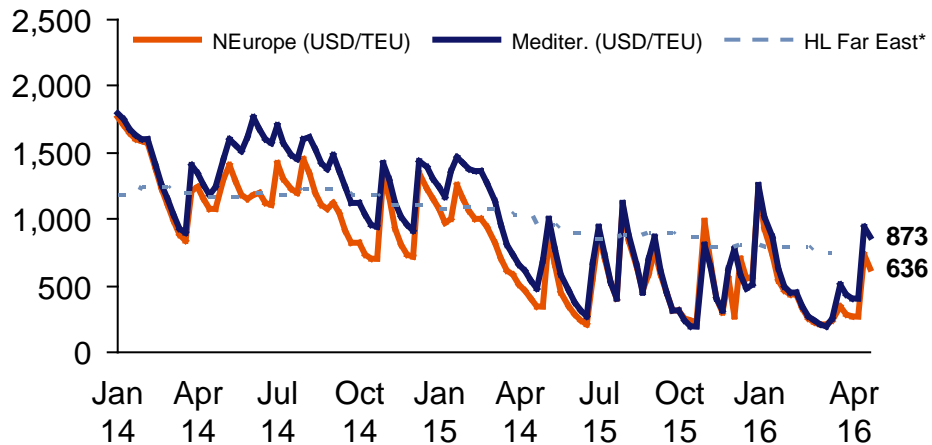


## Net capacity growth

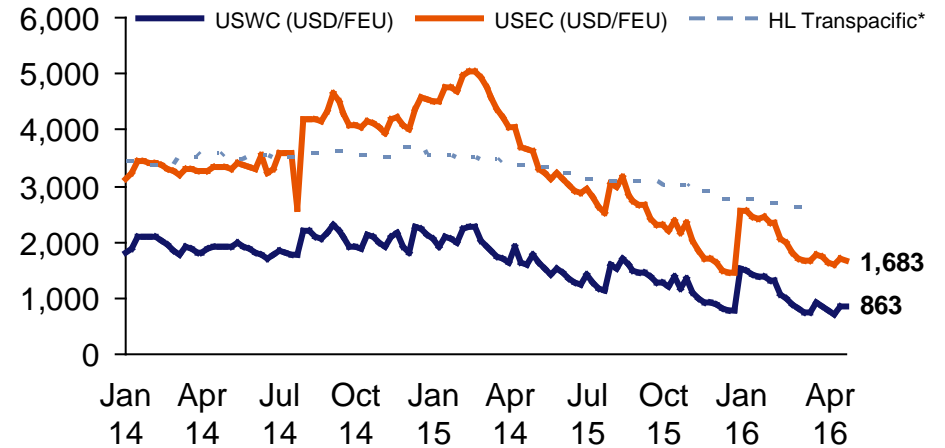


# Current spot rates reflect recent freight rate increases by various carriers

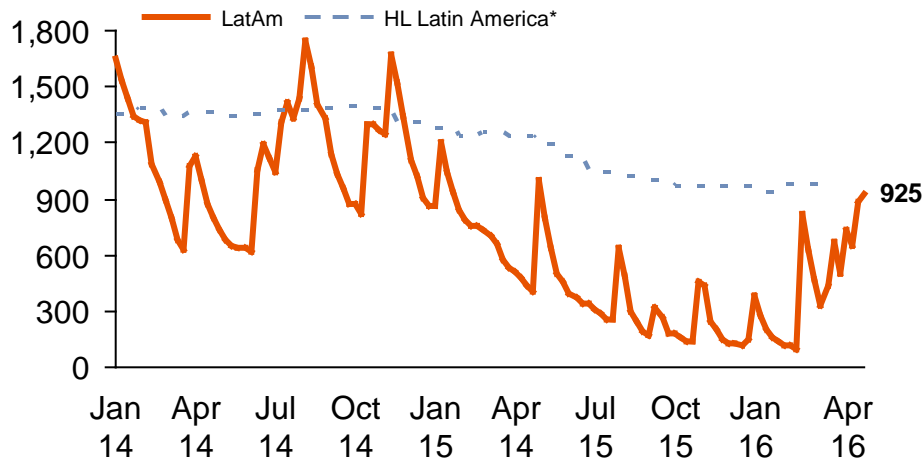
## Shanghai – Europe (SCFI)



## Shanghai – USA (SCFI)



## Shanghai – Latin America (SCFI)

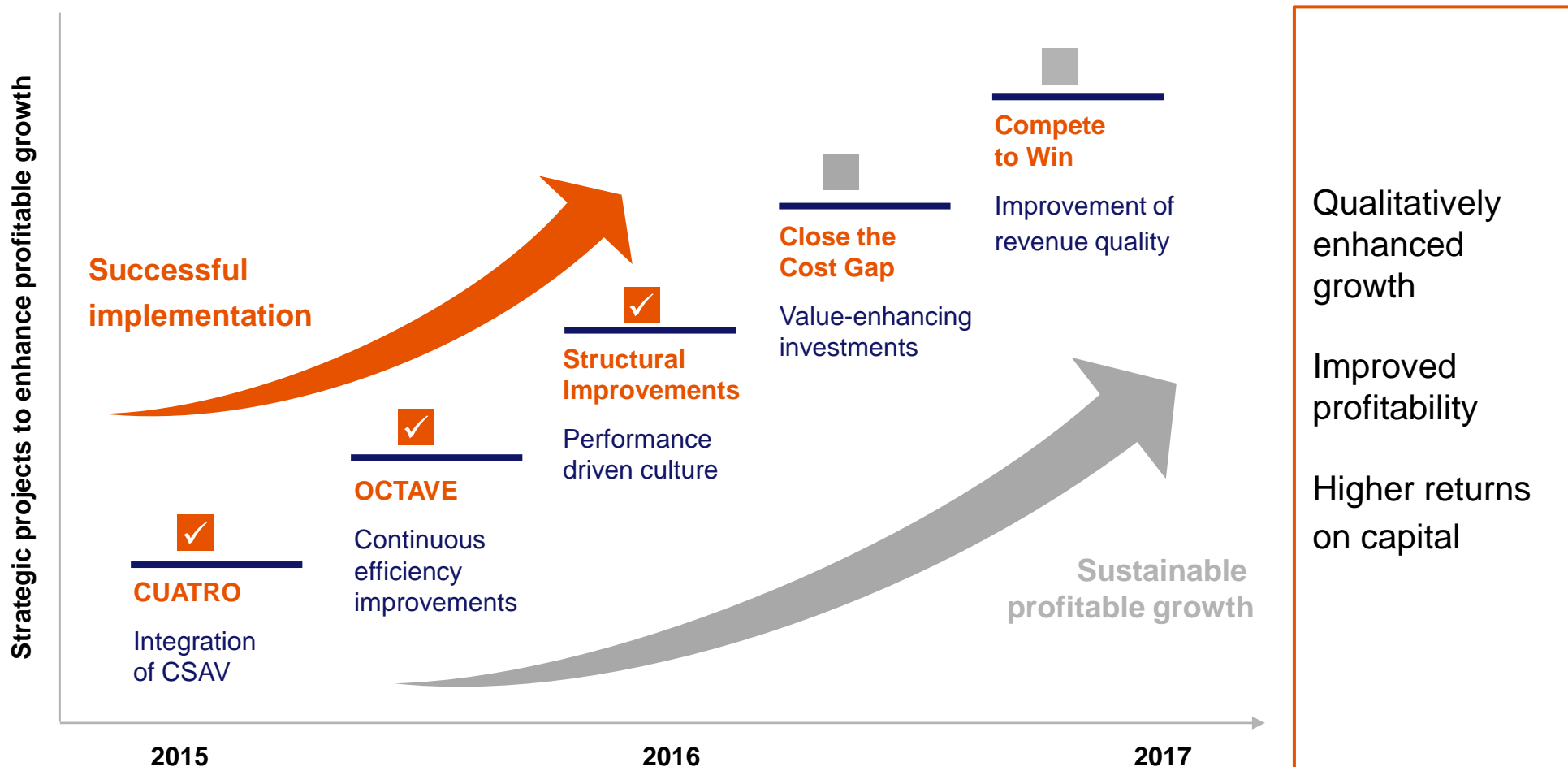


## Comments

- Shanghai Containerized Freight Index (SCFI) only reflects Shanghai outbound rate development
- Freight rates especially on Asia / Europe trade remain volatile
- Freight rates on Transpacific trade tend to be less volatile while freight rates on Latin America show a downward trend
- Hapag-Lloyd freight rates with more stable development

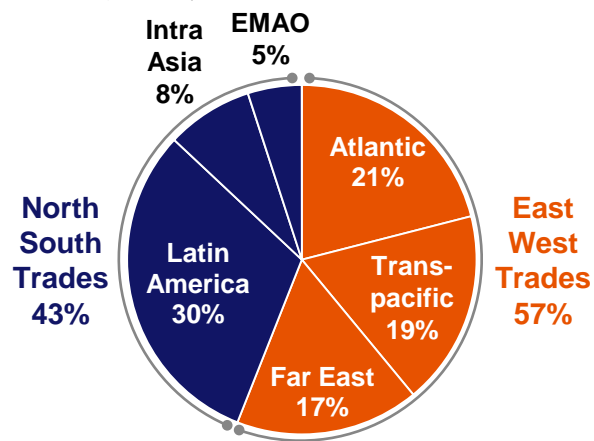
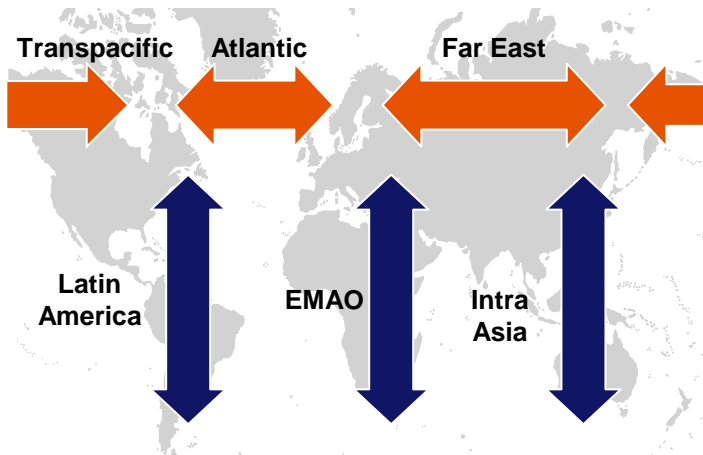
# Our Way Forward – Further improvements expected from our existing initiatives

## Tangible results in 2015 and further upside



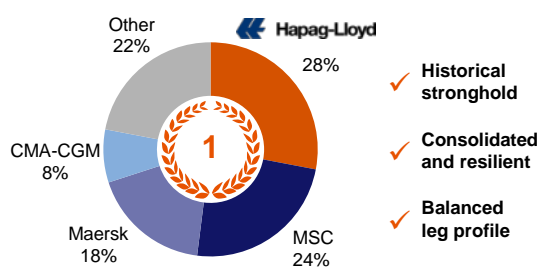
# Well-balanced exposure to global trade with strong position in attractive markets and niche businesses

## Well-balanced global exposure

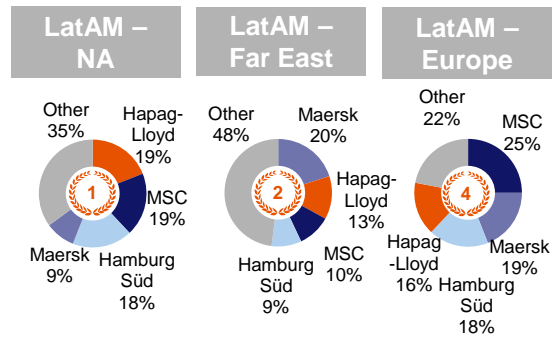


## Attractive market presence

### Atlantic



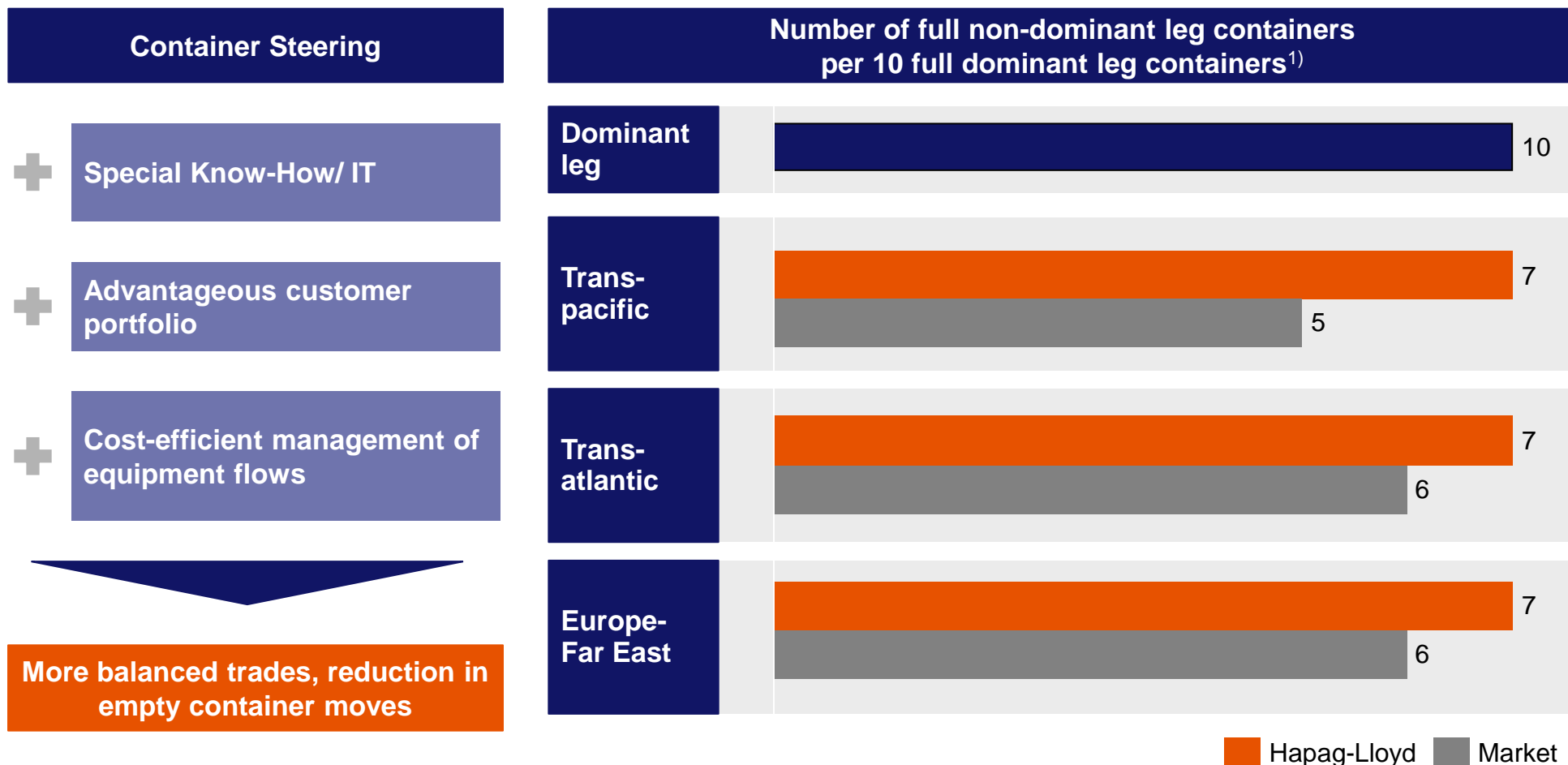
### Latin America



## Strong niche businesses

Reefer Services	5 Globally
Special Cargo	Strong presence
Dangerous Cargo	Historical stronghold
US Flag	1 of 3 certified carriers
Cabotage	Flag-protected niche market

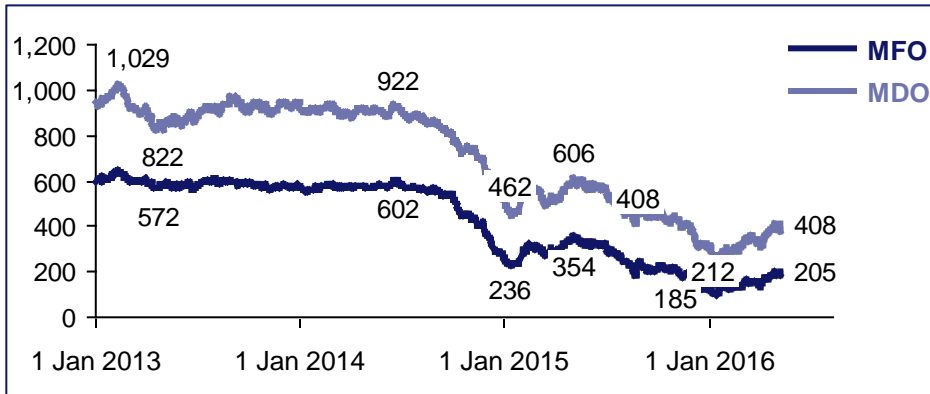
# Imbalances: Hapag-Lloyd outperforms the market



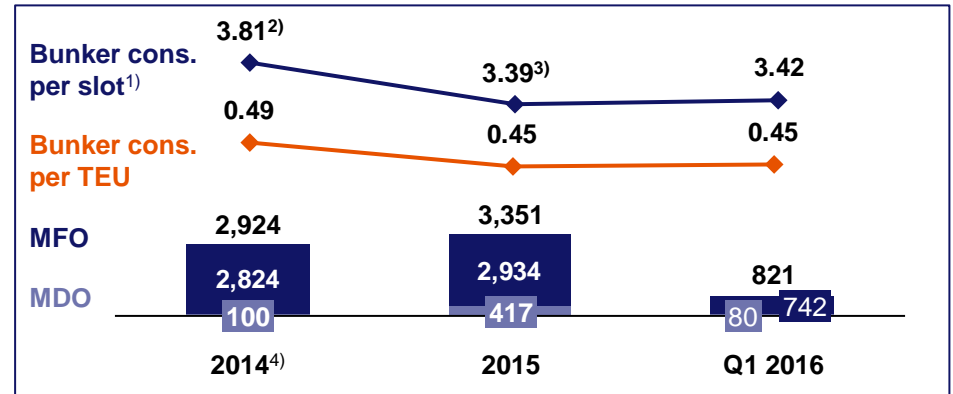
1) This ratio reflects the imbalance in the market (industry average) vs. Hapag-Lloyd imbalance of transport volumes (the higher the ratio, the more balanced in both directions). Ratio has been rounded

# Benefits from a reduced bunker price and consumption

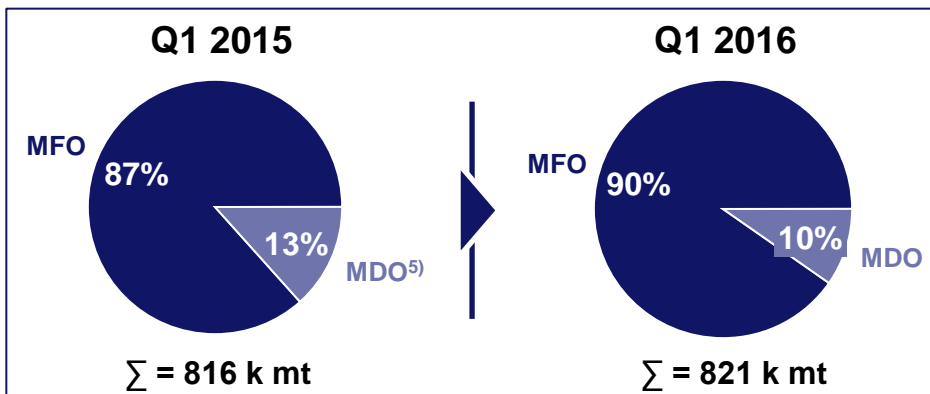
## Bunker price [Rotterdam; USD/mt]



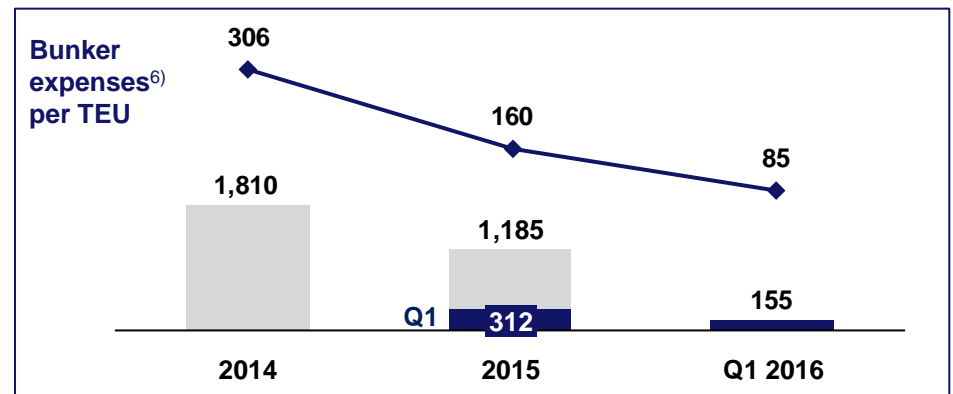
## Bunker consumption [mt/slot; mt/TEU; k mt]



## Bunker mix [MFO; MDO]



## Bunker expenses<sup>6)</sup> [USD/TEU; USD m]

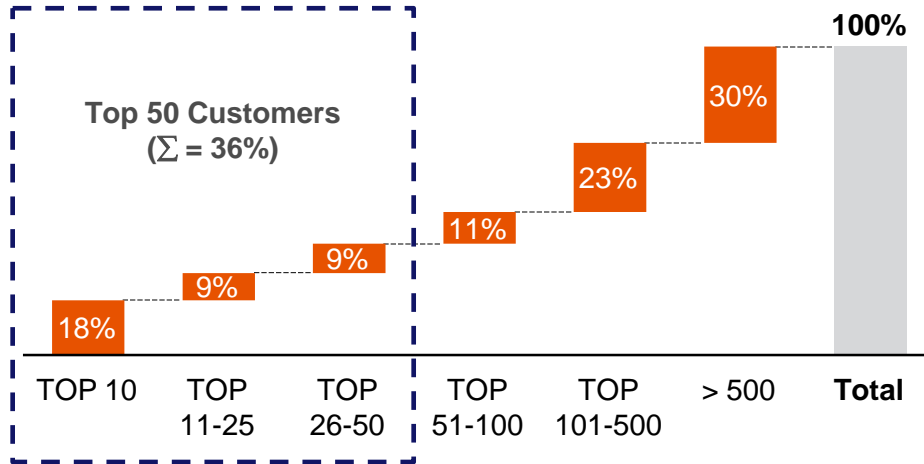


1) Average nominal deployed capacity in TEU 2) HLAG excluding CCS 3) Including technical effect due to initial addition of CSAV fleet at the beginning of 2015  
 4) HLAG + CCS as of 2nd December 2014 5) Due to CCS integration slight categorization differences may occur 6) Expenses for raw materials and supplies



# Long-standing and diversified customer base of blue chip customers and a diversified base of goods transported

## Highly diversified customer base<sup>1)</sup>

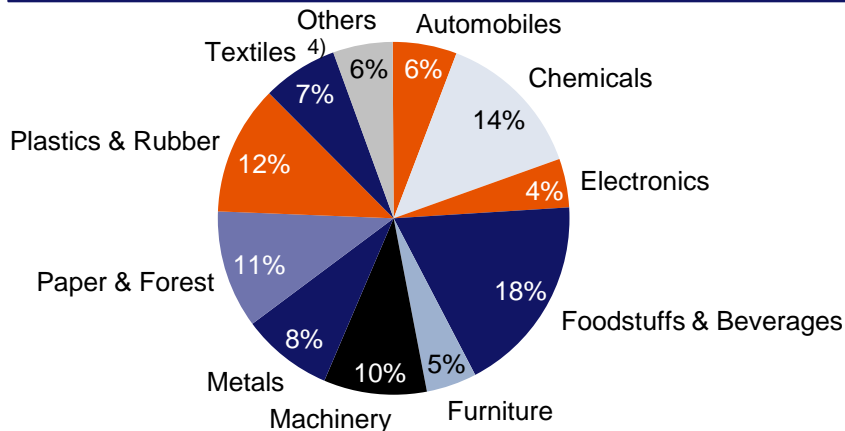


## Strong relationship with blue chip customers

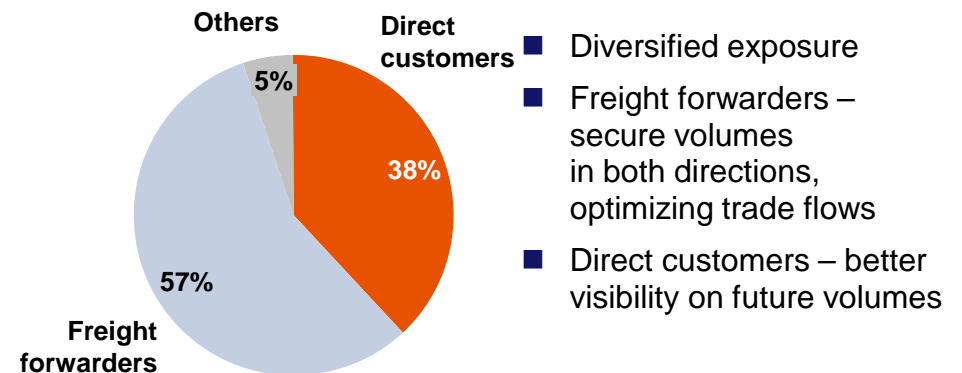


Hapag-Lloyd has a highly diversified customer base:  
No customer has a share greater than 5% of HL's revenue

## Balanced portfolio of goods transported<sup>2)</sup>...



## ... in a diversified customer portfolio<sup>3)</sup>



# Hapag-Lloyd with positive EBIT of USD 5.3 m



## Income statement [USD m]

	Q1 2016	Q1 2015	% change
<b>Revenue</b>	<b>2,124.0</b>	<b>2,593.1</b>	<b>-18%</b>
Other operating income	24.8	112.1	-78%
Transport expenses	-1,756.0	-2,071.8	-15%
Personnel expenses	-156.3	-134.3	16%
Depreciation, amortization and impairment	-130.8	-123.1	6%
Other operating expenses	-106.8	-184.5	-42%
<b>Operating result</b>	<b>-1.1</b>	<b>191.5</b>	<b>n.m.</b>
Share of profit of equity-acc. investees	6.4	9.2	-31%
Other financial result	0.0	-4.4	n.m.
<b>Earnings before interest and tax (EBIT)</b>	<b>5.3</b>	<b>196.3</b>	<b>-97%</b>
Interest result	-47.5	-43.1	10%
Income taxes	-5.0	-8.8	-43%
<b>Group profit/loss</b>	<b>-47.2</b>	<b>144.4</b>	<b>n.m.</b>

## Transport expenses [USD m]

	Q1 2016	Q1 2015	% change
Expenses for raw materials and supplies	154.7	312.3	-50%
Cost of purchased services	1,601.3	1,759.5	-9%
<b>Thereof</b>			
Port, canal and terminal costs	757.9	767.6	-1%
Chartering, leases and container rentals	271.8	293.7	-7%
Container transport costs	507.5	648.1	-22%
Maintenance/repair/other	64.1	50.1	28%
<b>Transport expenses</b>	<b>1,756.0</b>	<b>2,071.8</b>	<b>-15%</b>

## Transport expenses per TEU [USD/TEU]

	Q1 2016	Q1 2015	% change
Expenses for raw materials and supplies	85.4	176.1	-51%
Cost of purchased services	884.2	992.0	-11%
<b>Thereof</b>			
Port, canal and terminal costs	418.5	432.7	-3%
Chartering, leases and container rentals	150.1	165.6	-9%
Container transport costs	280.2	365.3	-23%
Maintenance/repair/other	35.4	28.2	25%
<b>Transport expenses</b>	<b>969.6</b>	<b>1,168.1</b>	<b>-17%</b>

## Balance sheet [USD m]

	31.03.2016	31.12.2015	31.03.2015
<b>Assets</b>			
Non-current assets	<b>10,371.2</b>	10,363.7	10,262.2
Of which fixed assets	<b>10,299.4</b>	10,301.7	10,170.3
Current assets	<b>1,605.2</b>	1,704.8	2,014.3
Of which cash and cash equivalents	<b>518.8</b>	625.0	832.4
<b>Total assets</b>	<b>11,976.4</b>	12,068.5	12,276.5
<b>Equity and liabilities</b>			
Equity	<b>5,423.9</b>	5,496.8	5,136.0
Borrowed capital	<b>6,552.5</b>	6,571.7	7,140.5
Of which non-current liabilities	<b>3,903.8</b>	3,958.4	4,424.4
Of which current liabilities	<b>2,648.7</b>	2,613.3	2,716.1
Of which financial debt thereof	<b>4,207.0</b>	4,256.3	4,430.1
Non-current financial debt	<b>3,497.7</b>	3,591.7	3,900.4
Current financial debt	<b>709.3</b>	664.6	529.7
<b>Total equity and liabilities</b>	<b>11,976.4</b>	12,068.5	12,276.5

## Financial position [USD m]

	31.03.2016	31.12.2015	31.03.2015
Cash and cash equivalents	<b>518.8</b>	625.0	832.4
Financial debt	<b>4,207.0</b>	4,256.3	4,430.1
<b>Net debt</b>	<b>3,688.2</b>	<b>3,631.3</b>	<b>3,597.7</b>
Unused credit lines	<b>385.0</b>	423.4	265.1
<b>Liquidity reserve</b>	<b>903.8</b>	<b>1,048.4</b>	<b>1,097.5</b>
Equity	<b>5,423.9</b>	5,496.8	5,136.0
<b>Gearing (net debt/equity) (%)</b>	<b>68.0%</b>	<b>66.1%</b>	<b>70.0%</b>
<b>Equity ratio (%)</b>	<b>45.3%</b>	<b>45.5%</b>	<b>41.8%</b>



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