

Investor Presentation

9M 2018 Result Presentation

Hamburg, 8 November 2018



Opening Remarks

- | | | |
|----|---------------|--|
| 01 | Highlights | <ul style="list-style-type: none">■ Positive EBIT of USD 359 m in 9M 2018 in a tough market environment■ Introduction of a new and transparent Marine Fuel Recovery Mechanism in light of IMO 2020 |
| 02 | Sector Update | <ul style="list-style-type: none">■ Stable demand despite rising geopolitical risks■ Sector fundamentals remain favourable in the mid-term |
| 03 | Financials | <ul style="list-style-type: none">■ EBITDA of USD 972 m in 9M 2018 (USD 809 m in 9M 2017)■ Good operating cash flow of USD 872 m (USD 751 m in 9M 2017) |
| 04 | Way Forward | <ul style="list-style-type: none">■ Continue to deliver on synergies, improve profitability and deleverage over time■ Presentation of our strategy at the Capital Markets Day on 21 November 2018 |

Financial Highlights 9M 2018

Transport volume

+26.6%

9M 2018: TEU 8.9 m

Pro forma
+5.5%

Transport expenses per TEU

-1.3%

9M 2018: 926 USD/TEU

Freight rate

-3.4%

9M 2018: 1,032 USD/TEU

Pro forma
+1.4%

EBIT

USD 359 m

3.6% EBIT margin

EBITDA

USD 972 m

9.7% EBITDA margin

Group profit

USD 15 m

3.2% ROIC

Equity

USD 7.2 bn

Liquidity reserve

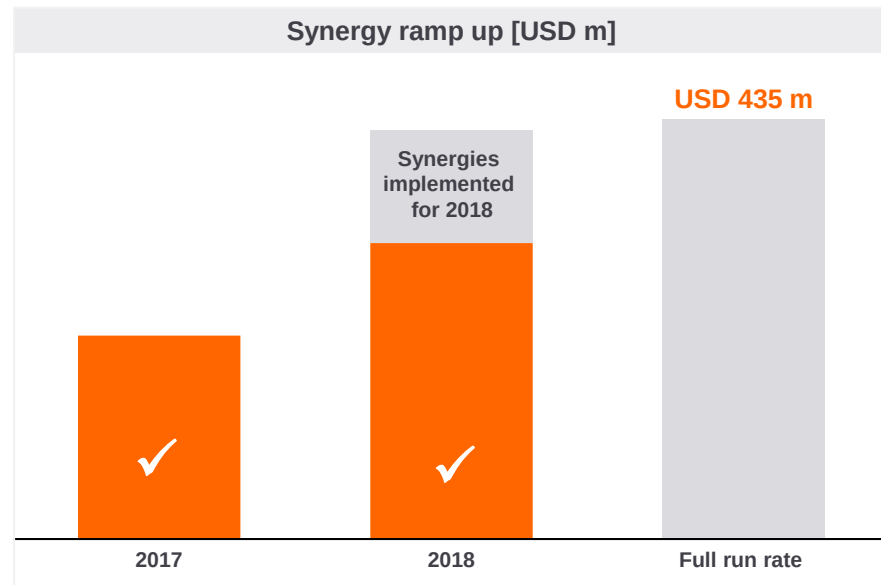
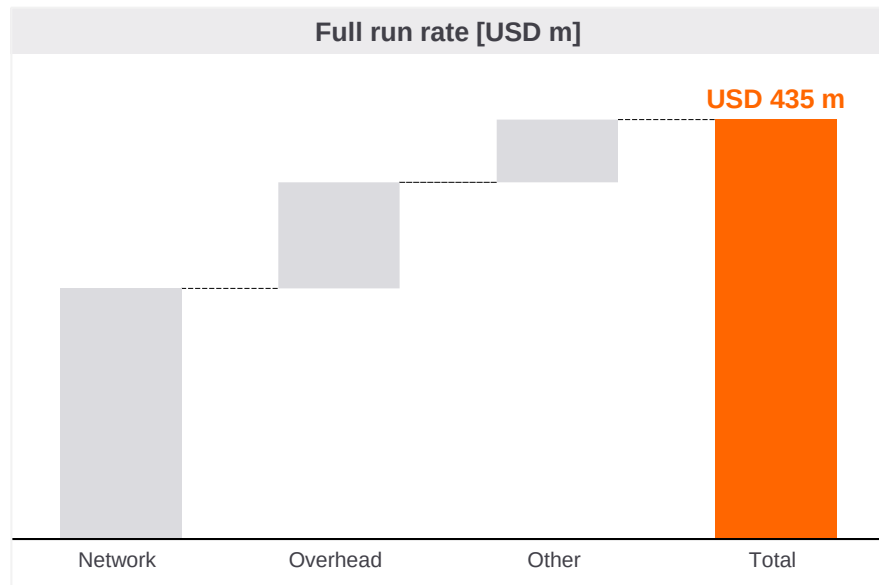
USD 1.2 bn

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



- Approximately **90% of full run rate** expected to be realized in 2018
- **Visibility of synergies in P&L in 9M 2018 is limited** due to counter effects in other cost items

We have publicly launched our new Web Channel, Quick Quotes, in August



24/7 access to the Quick Quotes tool whenever and wherever



Reception of rate in **immediate response**



Quotation with just a few clicks



Access for **all customers** regardless of size or location



Start of **booking process** follows directly



Flexible access to Hapag-Lloyds extensive **global network**

Hapag-Lloyd is introducing a Marine Fuel Recovery mechanism

Hapag-Lloyd is simplifying its rate structure and will replace all existing fuel charges with a new **Marine Fuel Recovery (MFR) mechanism**

- Marine Fuel Recovery Mechanism will be gradually implemented from **1 January 2019**
- It is **causal**, **transparent** and **easy-to-understand**
- It helps our customers **predict** and **plan** the price increases for their trade routes
- The MFR aiming at **recovering costs** arising from stricter sulphur regulation (**IMO 2020**)
- The calculation is based on **average market data**

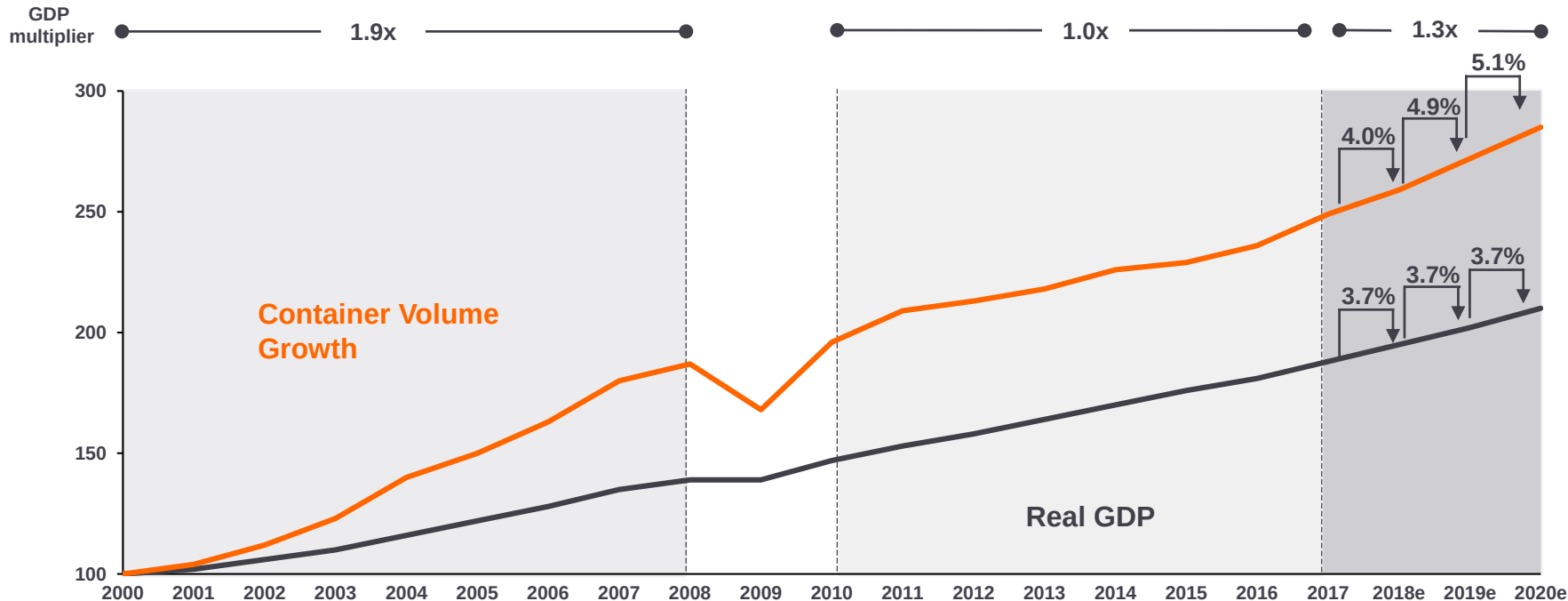
$$\text{MFR}_{[\text{per TEU}]} = \text{Fuel price}_{[\text{per TO}]} \times \frac{\text{Fuel consumption}_{[\text{TO}]} }{\text{Carried TEU}}$$



Container shipping volume expected to grow on a healthy level of 4% to 5% between 2018E and 2020E, but geopolitical risks rise

Global Container Volume Growth & Real GDP Growth [%]

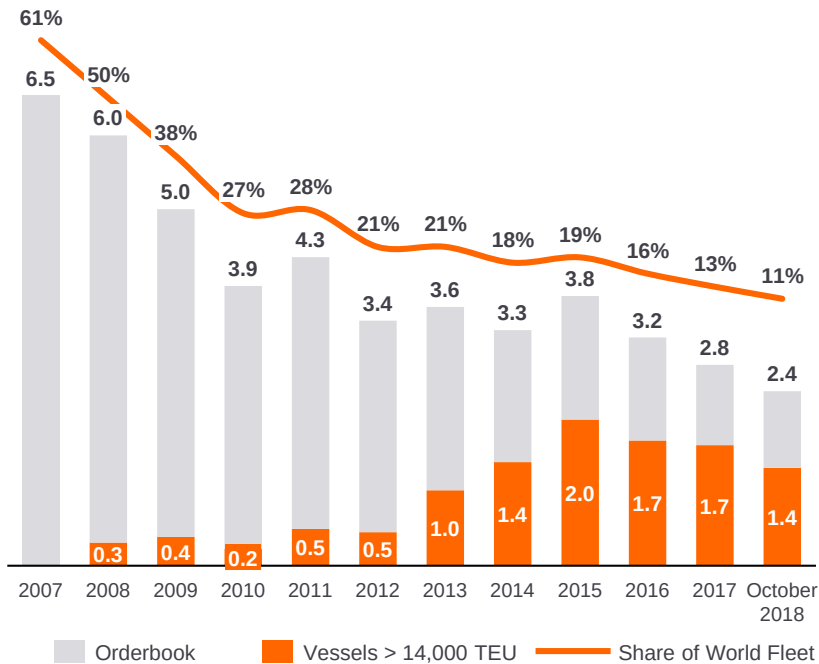
2000 = Indexed to 100



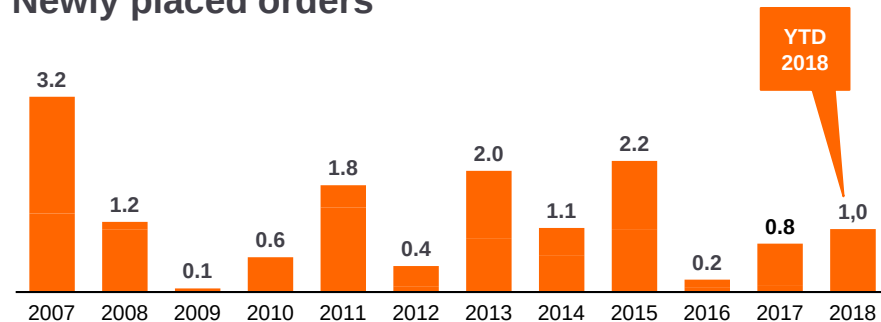
Despite recent new orders, the orderbook remains on a historical low, idle fleet increased recently but is still on a low level

Orderbook-to-fleet

[TEU m, %]

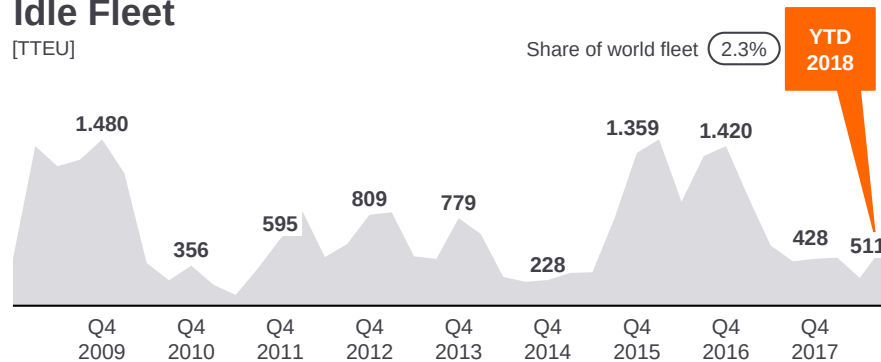


Newly placed orders



Idle Fleet

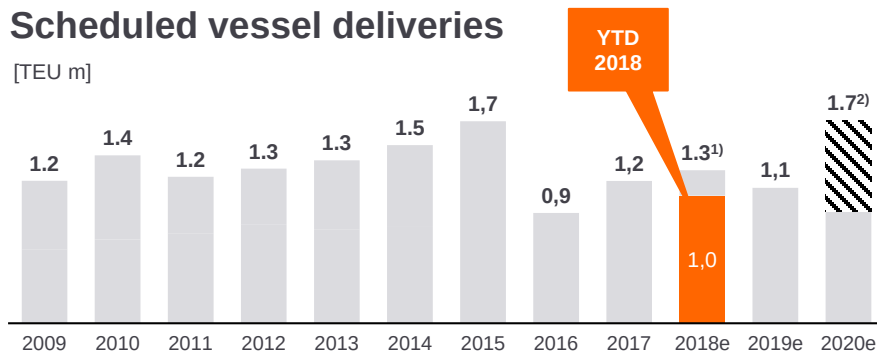
[TTEU]



Very low scrapping pushes supply in 2018E, but mid-term supply/demand balance is further improving

Scheduled vessel deliveries

[TEU m]

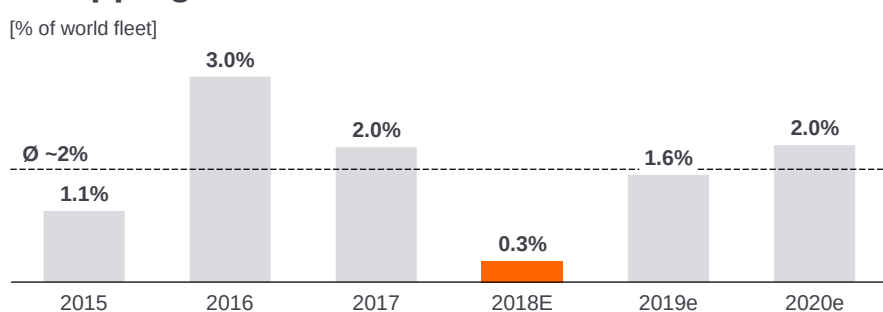


Comments

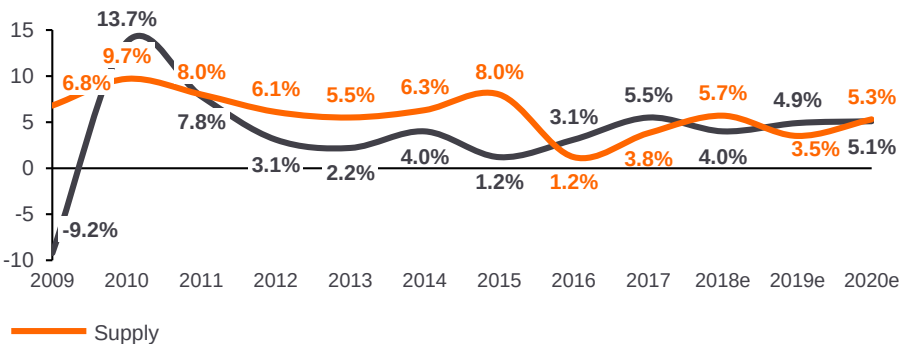
- Drewry has revised its forecast for net capacity growth in 2018 again. Market analysts **now expects scrapping at a rate of 0.3%** of the current world fleet. Slippage remained unchanged.
- For 2020e, up to TEU 0.8 m out of TEU 1.7 m scheduled deliveries are not yet reflected in the current order book of TEU 2.4 m. To be delivered in 2020, vessels will have to be ordered in Q4 2018 or beginning of Q1 2019 latest in order to arrive at Drewry delivery estimates.

Scrapping

[% of world fleet]



Supply / Demand Balance

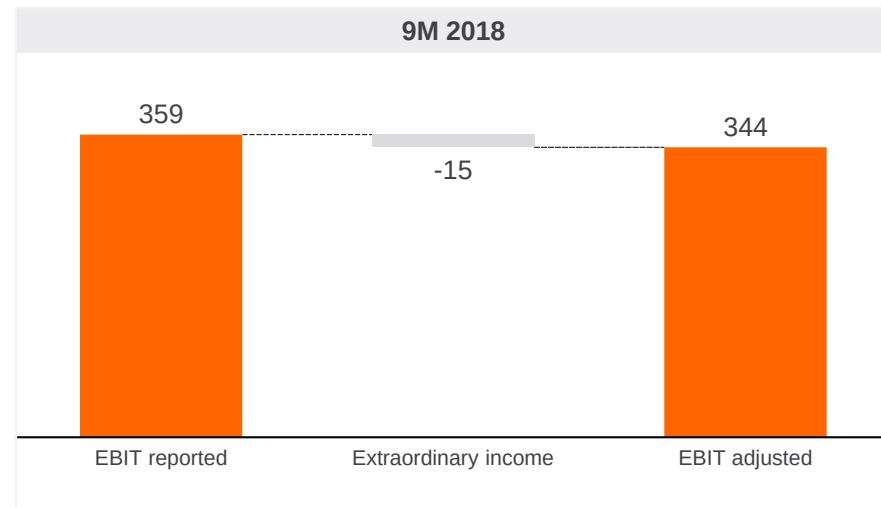
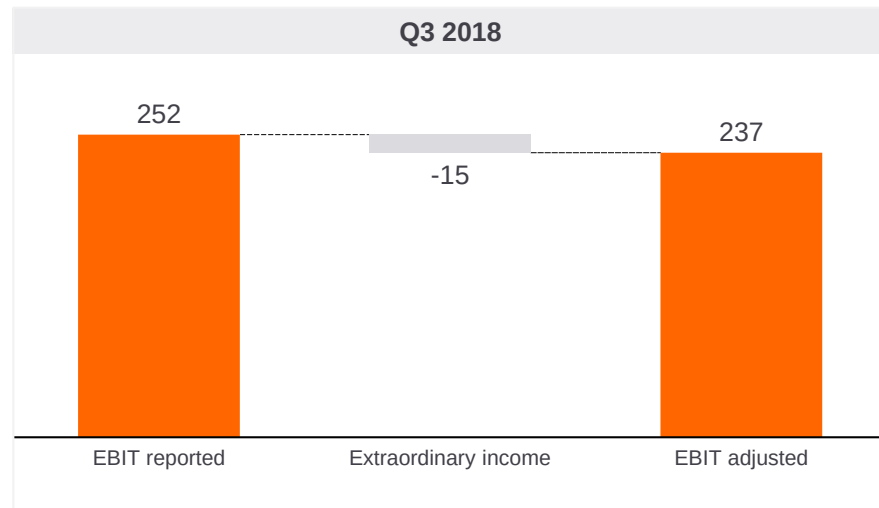


Positive EBITDA of USD 972 m in the first nine months of 2018

Operational KPIs

	Q3 2018	Q3 2017	YoY	9M 2018	9M 2017	YoY
Transport volume [TTEU]	3,052	2,807	+9%	8,900	7,029	+27%
Freight rate ¹⁾ [USD/TEU]	1,055	1,073	-2%	1,032	1,068	-3%
Bunker [USD/mt]	446	308	+45%	406	311	+31%
Exchange rate [USD/EUR]	1.16	1.17	n.m.	1.19	1.11	n.m.
Revenue [USD m]	3,542	3,268	+7%	10,072	8,168	+23%
EBITDA ²⁾ [USD m]	457	412	+11%	972	809	+20%
EBITDA margin ²⁾	12.9%	12.6%	+0.3ppt	9.7%	9.9%	-0.2ppt
EBIT ²⁾ [USD m]	252	200	+26%	359	300	+20%
EBIT margin ²⁾	7.1%	6.1%	+1.0ppt	3.6%	3.7%	-0.1ppt
Group profit ²⁾ [USD m]	137	53	+157%	15	9	+69%

EBIT positively affected by an extraordinary income of USD 15 m

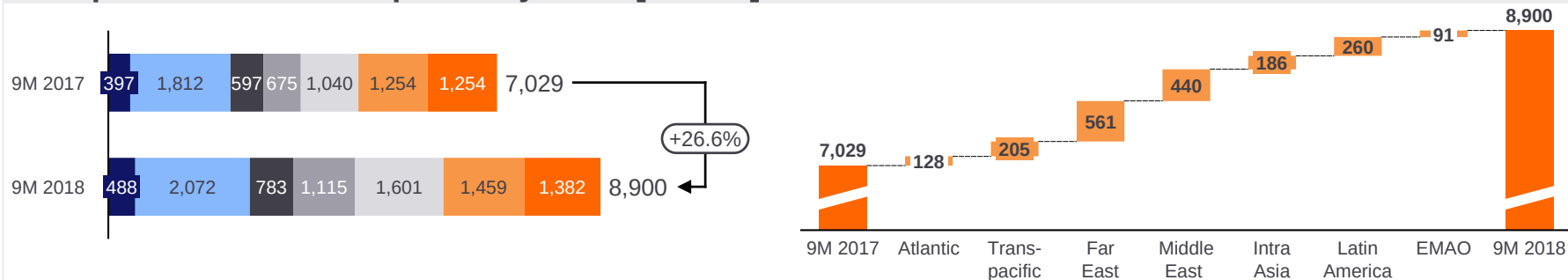


Comments

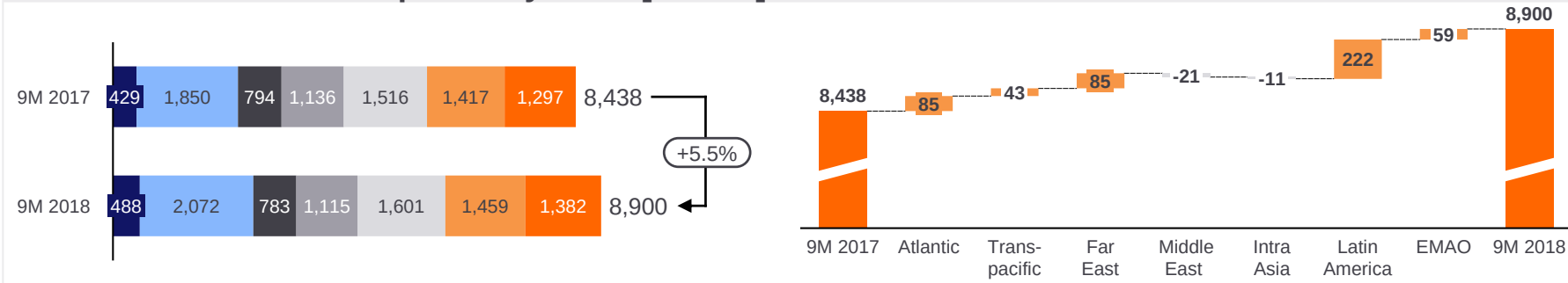
- Gain from the measurement of an investment at fair value as at 30 September 2018 led to an increase in EBITDA and EBIT of USD 15 m
- This measurement had a positive effect of USD 12 m on the other financial result
- Furthermore, an increase of USD 3 m was recognized in other operating income due to a release of provision related to the minority stake

Continuously good transport volume growth of 26.6% YoY due to UASC merger – pro-forma transport volume grew by 5.5% YoY

Transport volume development by trade [TEU m]



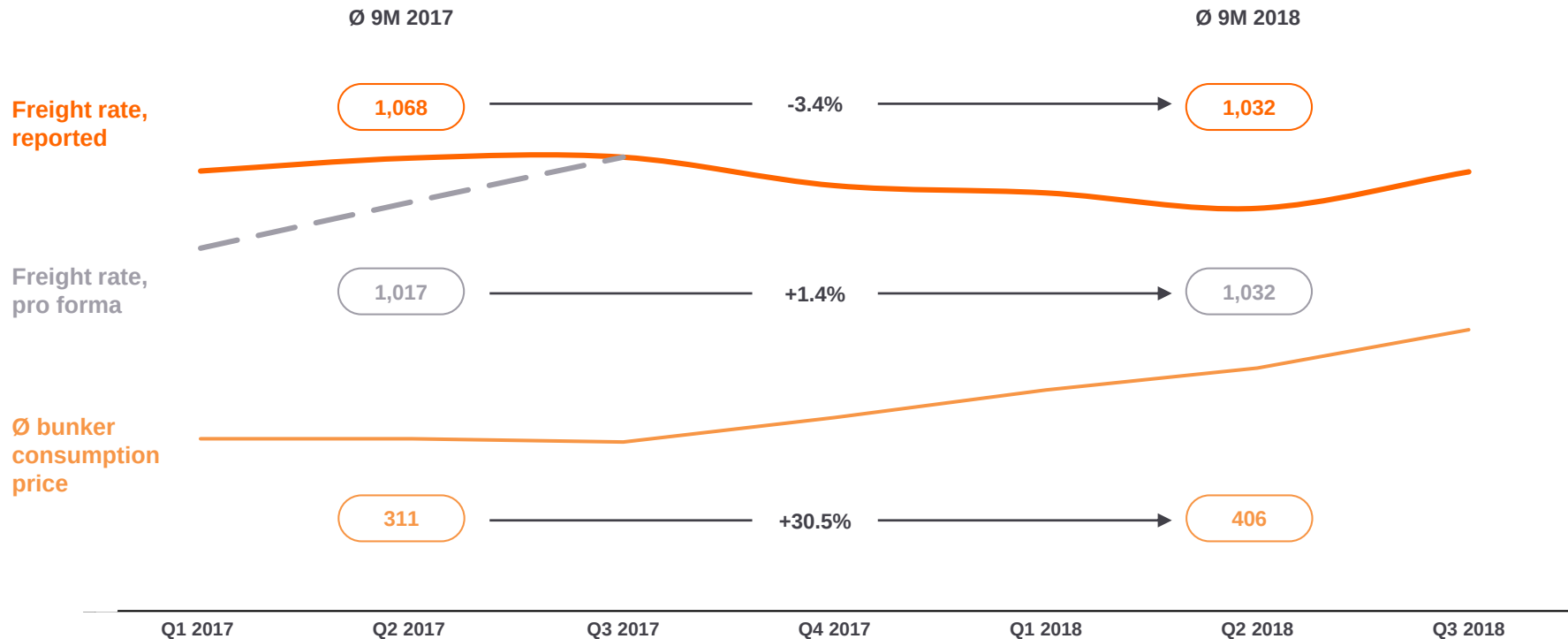
Pro-forma volume development by trade [TEU m]



EMAO Latin America Intra Asia Middle East Far East Transpacific Atlantic

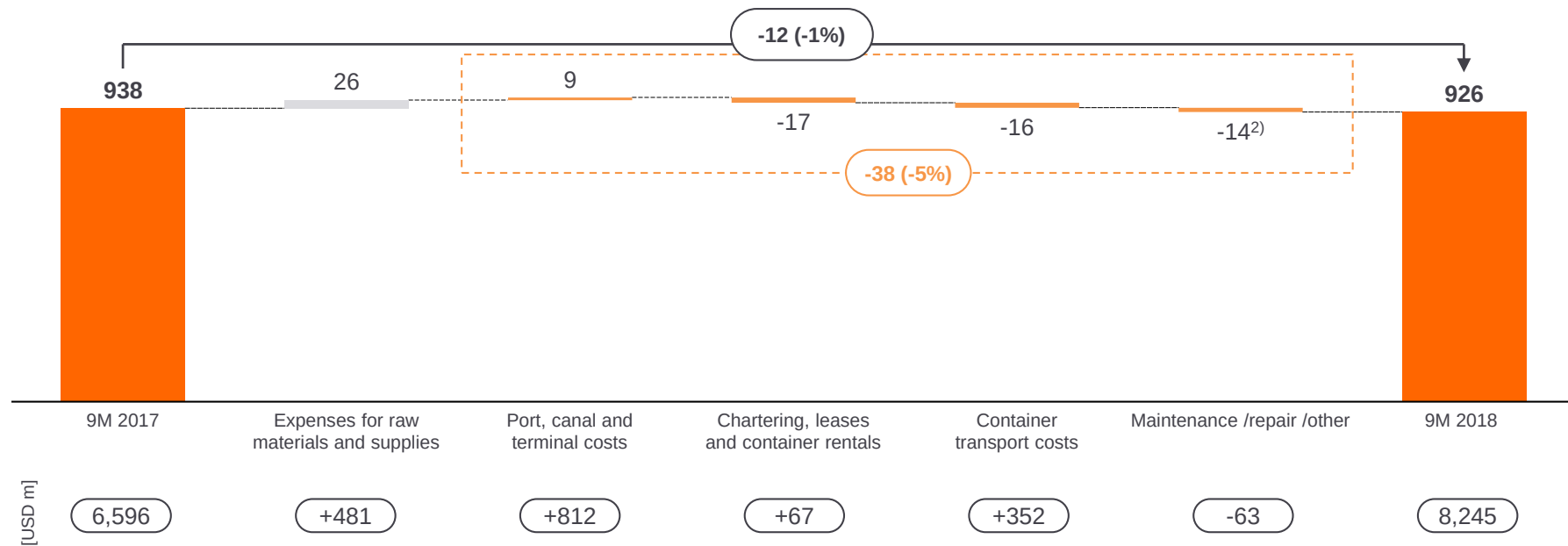
On a pro-forma basis freight rates have increased by 1.4% YoY, average bunker consumption price increased sharply by 30.5% YoY

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



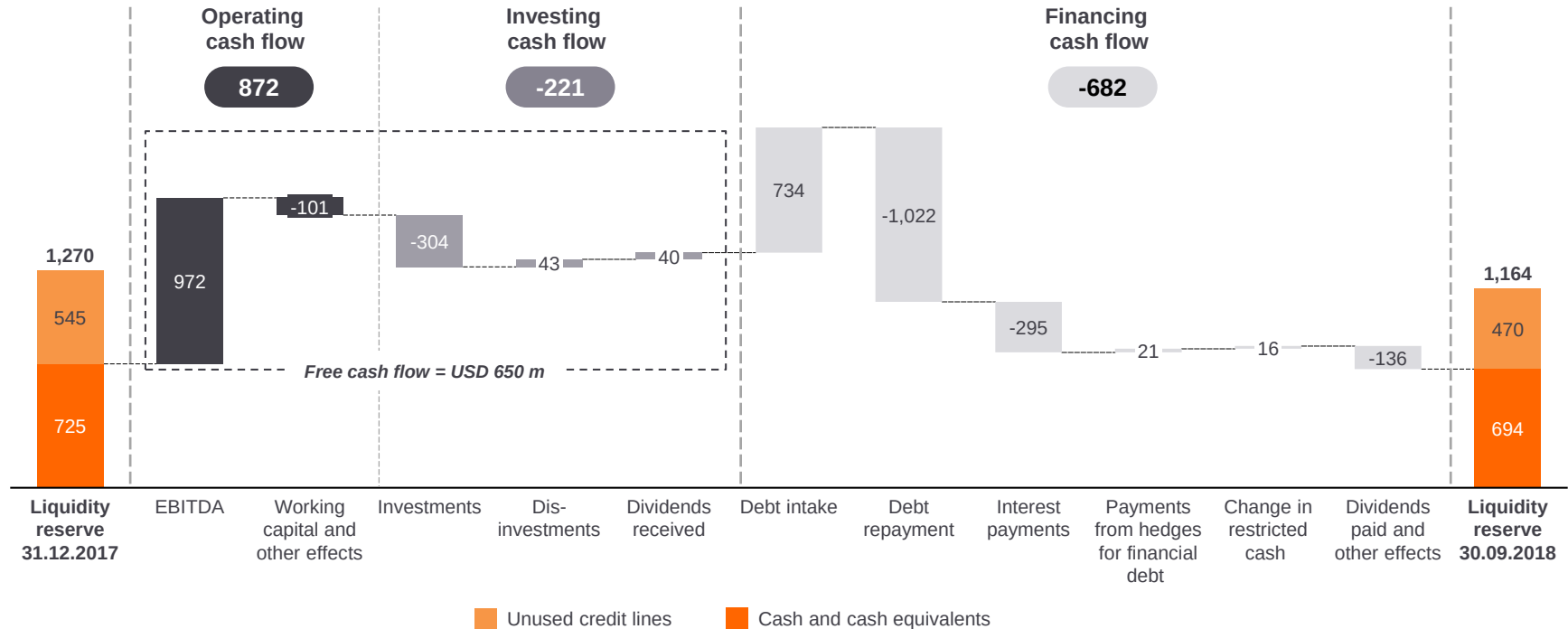
Higher expenses for raw materials and supplies were offset by cost-cutting programs and synergies from the UASC integration

Transport expenses per TEU [USD/TEU]¹⁾



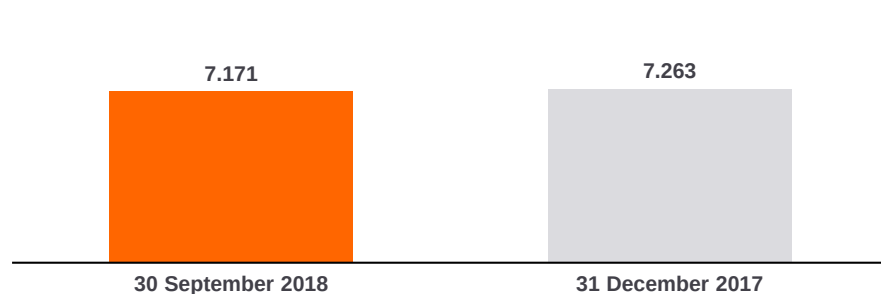
Good free cash flow of USD 650 m in 9M 2018 driven by a high cash conversion and limited investment needs

Cash flow 9M 2018 [USD m]

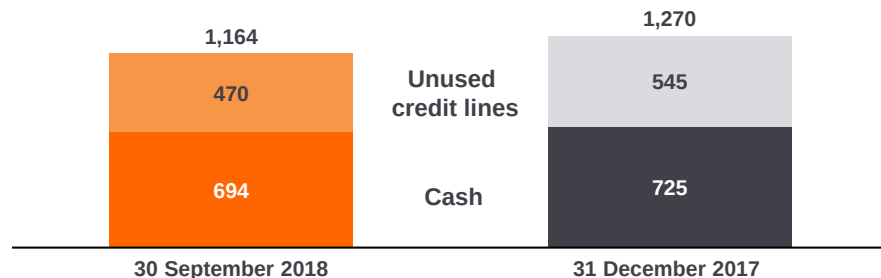


Stable equity base of USD 7.2 bn, solid liquidity reserve of USD 1.2 bn and reduced net debt of USD 6.5 bn

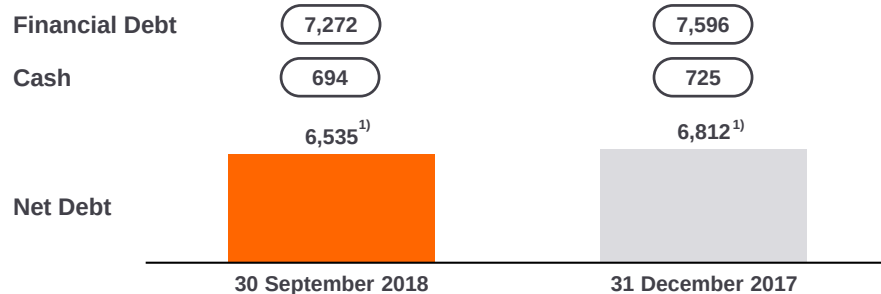
Equity base [USDm]



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 September 2018
- Reduction of USD 323 m in **financial debt** since year-end 2017
- **Gearing** (net debt / equity) of 91.1% (31 December 2017: 93.8%)

Revised Outlook for 2018 confirmed and refined

	FY 2017	Initial Outlook 2018	Revised Outlook 2018	Sensitivities for 2018 ¹⁾	
 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	Rather in the upper part of the guided ranges	
 EBIT	EUR 411 m	Increasing clearly	EUR 200 m to EUR 450 m		

Major targets:



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



Continue to develop more **digitalized solutions** for the customer



Successfully implement the **MFR mechanism**



Presentation of our **new strategy** at the Capital Markets Day on 21 November

A

Appendix

Hapag-Lloyd with positive EBITDA of USD 972 m in 9M 2018

Income statement [USD m]

	9M 2018	9M 2017	% change
Revenue	10,071.5	8,167.7	23%
Other operating income	84.0	143.4	-41%
Transport expenses	-8,245.3	-6,596.4	25%
Personnel expenses	-571.1	-577.5	-1%
Depreciation, amortization & impairment	-612.9	-509.1	20%
Other operating expenses	-405.8	-363.0	12%
Operating result	320.4	265.1	21%
Share of profit of equity-acc. investees	26.7	34.4	-22%
Other financial result	12.3	0.5	n.m.
Earnings before interest & tax (EBIT)	359.4	300.0	20%
EBITDA	972.3	809.1	20%
Interest result	-310.7	-271.2	15%
Income taxes	-33.8	-20.0	69%
Group profit / loss	14.9	8.8	69%

Transport expenses [USD m]

	9M 2018	9M 2017	% change
Expenses for raw materials & supplies	1428.6	947.7	51%
Cost of purchased services	6,816.7	5,648.7	21%
Thereof			
Port, canal & terminal costs	3,573.8	2,761.9	29%
Chartering leases and container rentals	872.1	805.2	8%
Container transport costs	2,209.4	1,857.7	19%
Maintenance/ repair/ other	161.4	223.9	-28%
Transport expenses	8,245.3	6,596.4	25%

Transport expenses per TEU [USD m]

	9M 2018	9M 2017	% change
Expenses for raw materials & supplies	160.5	134.8	16%
Cost of purchased services	765.9	803.7	-5%
Thereof			
Port, canal & terminal costs	401.5	392.9	2%
Chartering leases and container rentals	98.0	114.6	-14%
Container transport costs	248.2	264.3	-6%
Maintenance/ repair/ other	18.1	31.9	-43%
Transport expenses	926.4	938.5	-1%

Hapag-Lloyd with a stable equity ratio of 41% and a reduced gearing of 91%

Balance sheet [USD m]

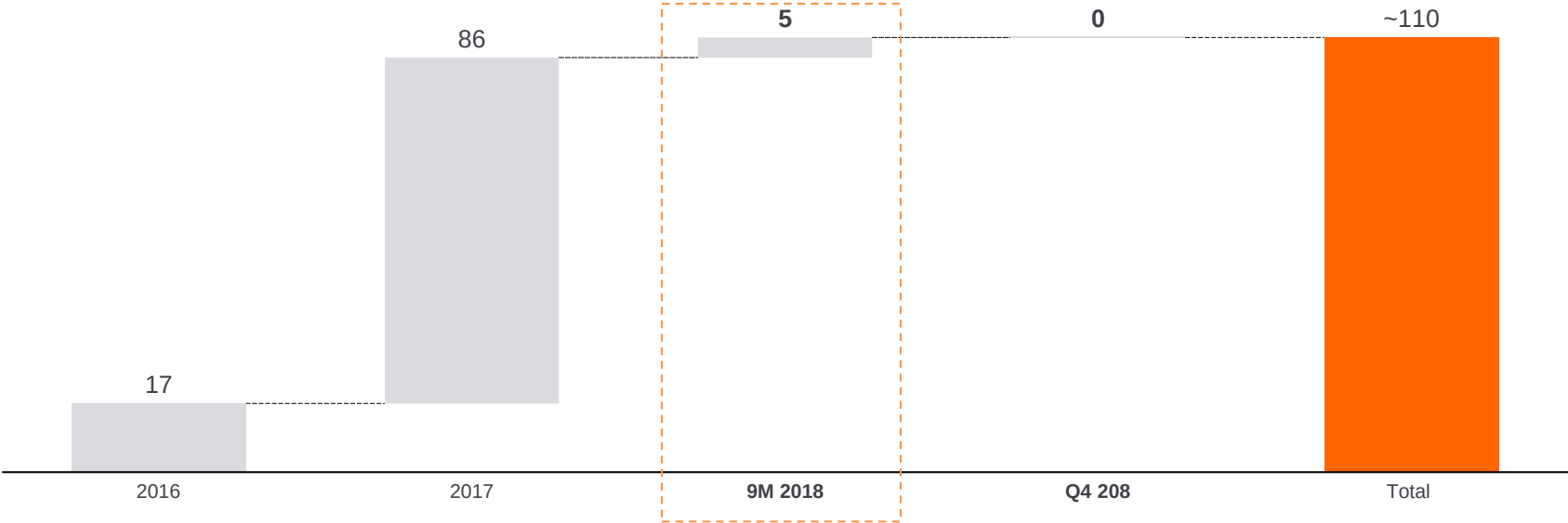
	30.09.2018	31.12.2017
Assets		
Non-current assets	14,775.6	15,146.1
of which fixed assets	14,689.7	15,071.1
Current assets	2,711.8	2,630.8
of which cash and cash equivalents	694.4	725.2
Total assets	17,487.4	17,776.9
Equity and liabilities		
Equity	7,171.3	7,263.3
Borrowed capital	10,316.1	10,513.6
of which non-current liabilities	6,724.2	7,197.8
of which current liabilities	3,591.9	3,315.8
of which financial debt	7,272.1	7,595.5
thereof		
Non-current financial debt	6,310.0	6,750.6
Current financial debt	962.1	844.9
Total equity and liabilities	17,487.4	17,776.9

Financial position [USD m]

	30.09.2018	31.12.2017
Cash and cash equivalents	694.4	725.2
Financial debt	7,272.1	7,595.5
Restricted Cash	42.6	58.6
Net debt	6,535.1	6,811.7
Unused credit lines	470.0	545.0
Liquidity reserve	1,164.4	1,270.2
Equity	7,171.3	7,263.3
Gearing (net debt / equity) (%)	91.1%	93.8%
Equity ratio (%)	41.0%	40.9%

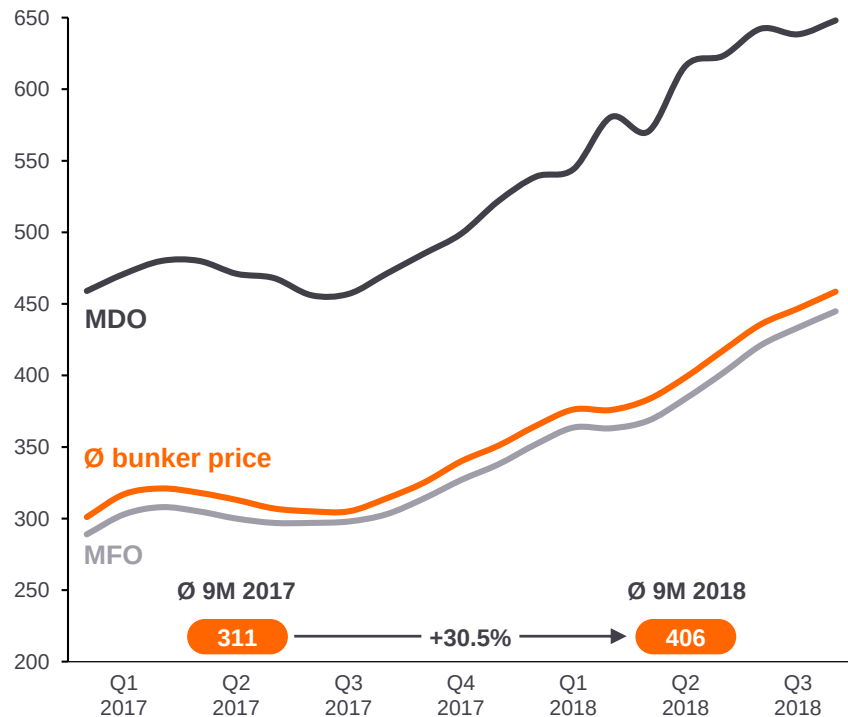
9M 2018 generated one-off costs of USD 5 m related to the merger

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

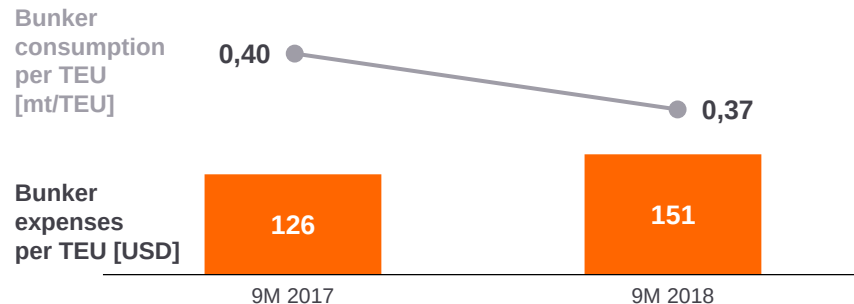


Hapag-Lloyd benefits from optimized bunker consumption, but substantial increase in bunker price harms P&L

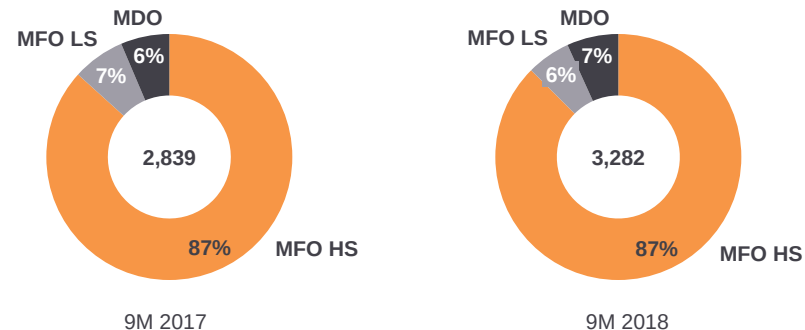
Bunker consumption price [USD/mt]



Bunker consumption & expenses per TEU

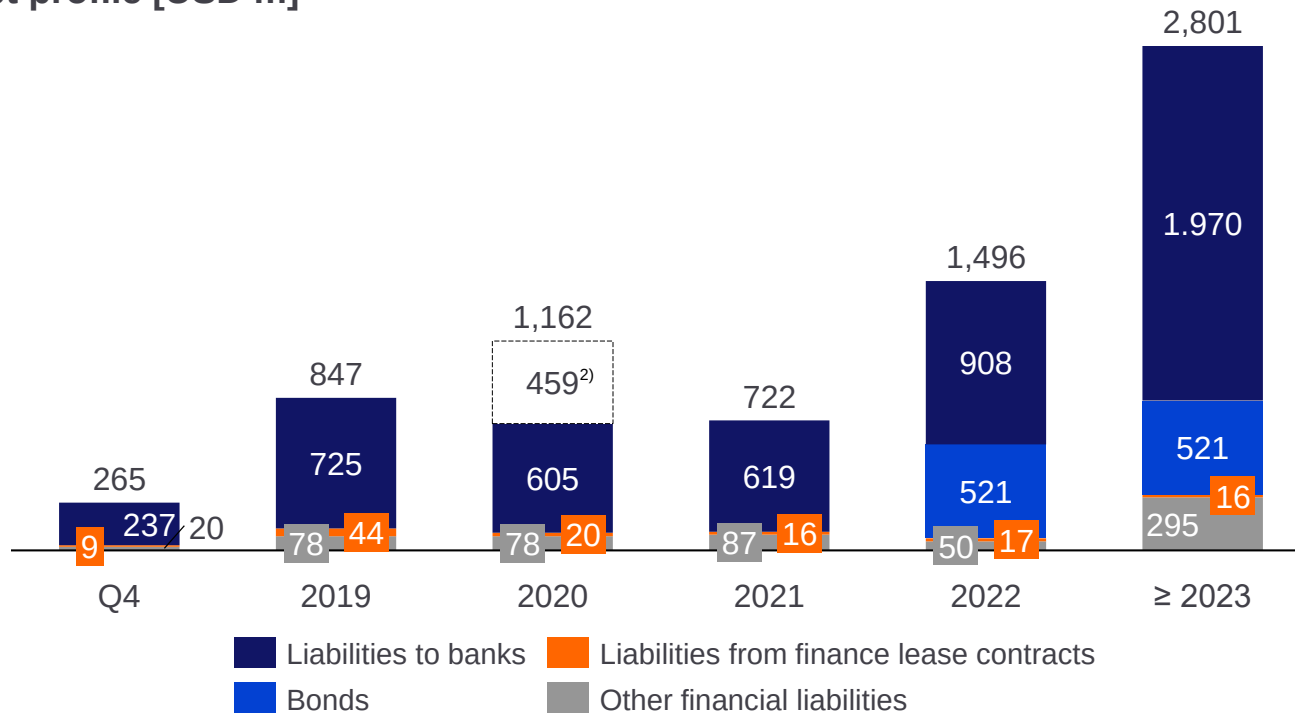


Total bunker consumption [k mt]



Solid long-term and diversified financing portfolio

Financial debt profile [USD m]¹⁾



Geopolitical risk rises mainly due to conflicts between major economic players

Volume Development of Main Trade Lanes



Atlantic Trade:

- US imposed tariffs on steel and aluminium → 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 between US and EU

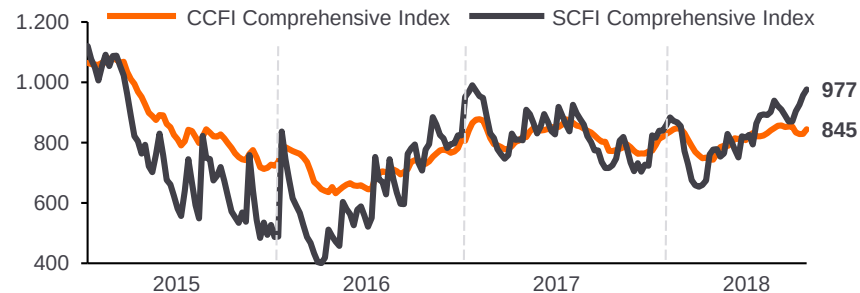
Transpacific Trade:

- US imposed tariffs on **USD 250 bn of Chinese products**¹⁾ → up to 70% of total container trade from CN to US affected²⁾
- **Retaliatory tariffs** from China **worth USD 110 bn** → up to 87% of total container trade from US to CN affected²⁾
- Negotiations are continuing between China and US

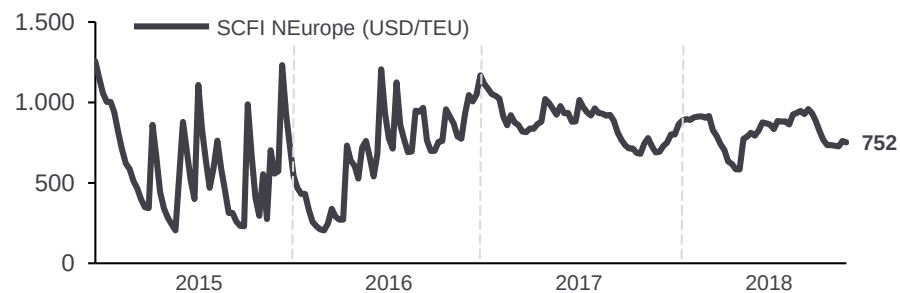
Currently around 7% of total world container trade (TEU 146m in 2018e) currently **affected by tariffs** – going forward remains to be seen

Freight rates are recovering slowly

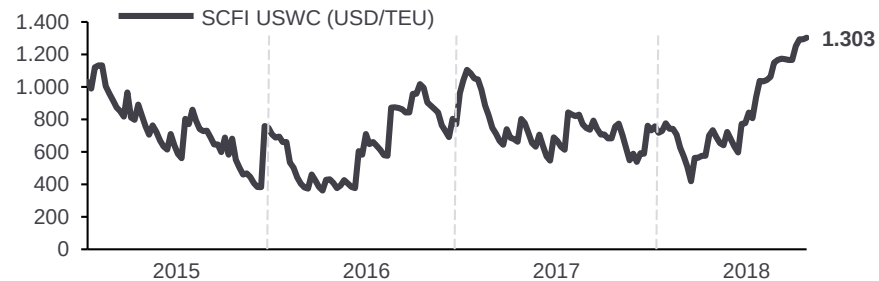
Comprehensive Index (CCFI/SCFI)



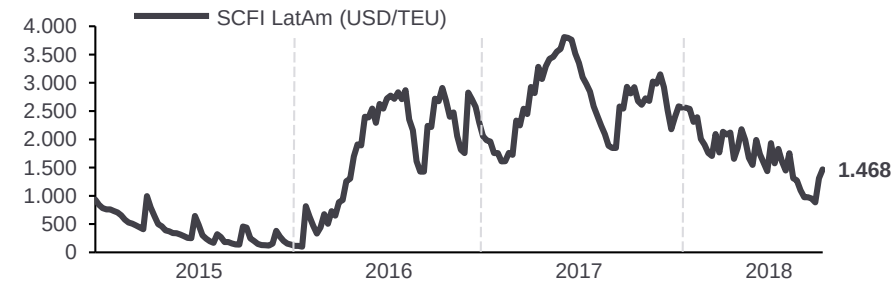
Shanghai – North Europe (SCFI)



Shanghai – USA (SCFI)

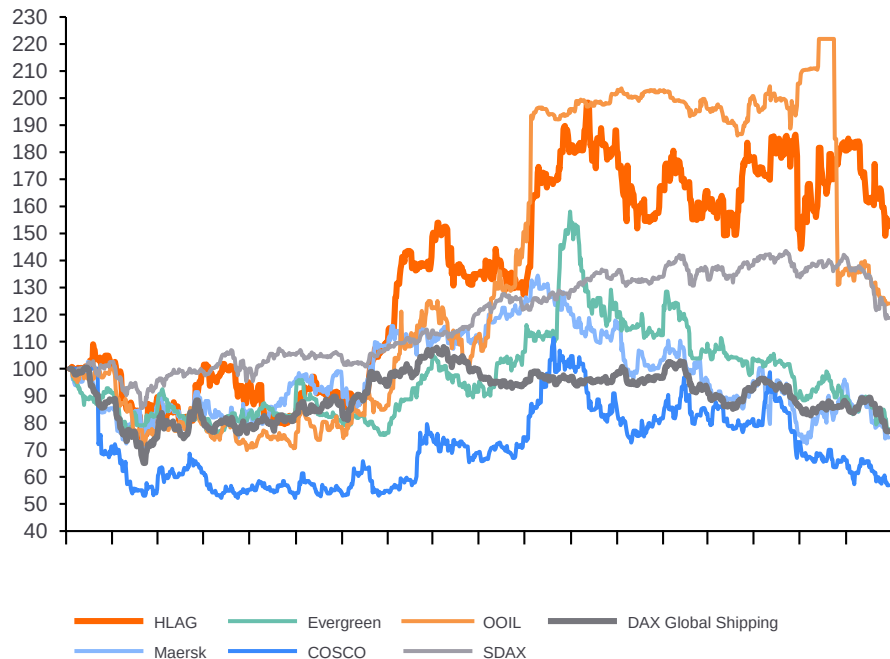


Shanghai – Latin America (SCFI)



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

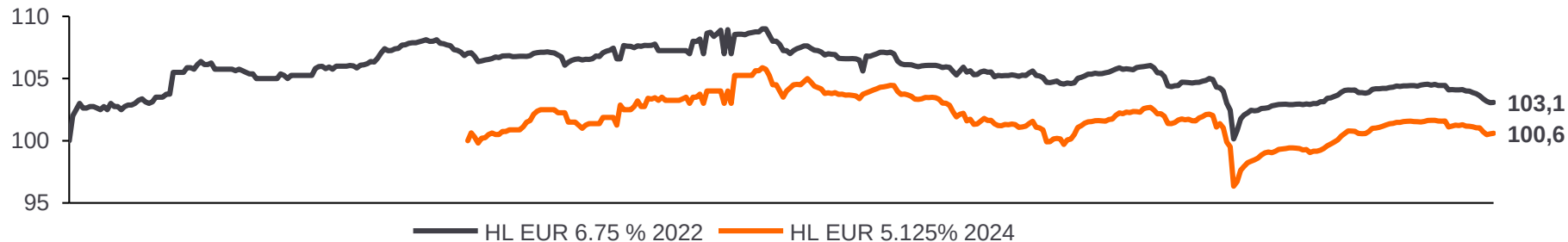
6 November 2015

Number of shares

175,760,293

...and lower bond yields

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%

Preliminary Financial Calendar 2019

February 2019	Preliminary Financials 2018
March 2019	Annual Report 2018
May 2019	Quarterly Financial Report Q1 2019
August 2019	Half-year Financial Report 2019
November 2019	Quarterly Financial Report 9M 2019

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.

This presentation does not constitute an offer to sell or a solicitation or offer to buy any securities of the Company, and no part of this presentation shall form the basis of or may be relied upon in connection with any offer or commitment whatsoever. This presentation is being presented solely for your information and is subject to change without notice.

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.



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