



Investor Presentation

H1 2017 Results

Hamburg, 29 August 2017

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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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.



Opening remarks

01 | Deliverables

- We continued to progress on our initiatives (UASC Integration, THE Alliance & continuous cost control)
- Substantially improved positive operating result of USD 97 m in H1 2017

02 | Sector Update

- Sector fundamentals continue to improve
- Historic low level of new orders and depleting order book

03 | Reported Financials

- Clearly positive EBITDA of USD 393 m in H1 2017 (USD 253 m in Q2 2017)
- First time consolidation of UASC generated one-off income of USD 52.3 m (badwill) and restructuring cost of USD 73 m

04 | UASC Integration

- The merger with UASC was successfully completed on 24 May 2017
- Integration well on track with sizeable initial optimization measures already implemented in the areas of network and shipping systems

05 | Way forward

- Main focus going forward is to quickly integrate the UASC business and cost optimization
- Substantial deleveraging from 2018 onwards

Strategic highlights: We achieved major progress on our initiatives...



UASC Integration

The **merger with UASC** was successfully completed on 24 May 2017 and will strengthen Hapag-Lloyd's competitive position substantially:

- **Strengthened market position** as one of the **Top 5 players** in the industry
- **Solid position in all trades** and an enhanced market presence in the attractive Middle East trade
- **Efficient and young fleet** with a **low level investment** needed in the future
- **Annual synergies of USD 435 m** fully starting in 2019, significant ramp up already in 2018



THE Alliance

The **Alliance** deploys a fleet of more than 240 modern ships in the **Asia / Europe, North Atlantic and Trans-Pacific** trade lanes including the Middle East and the Arabian Gulf / Red Sea



Financial Position

After the consolidation of the UASC container shipping activities Hapag-Lloyd does not plan further investments in new vessels

Hapag-Lloyd successfully placed **two new bonds** in 2017 to repay upcoming debt maturities in 2018 & 2019 with material interest savings

Financial highlights: ...and delivered a positive operating result in H1 2017

Transport volume

+14.0%

HL organic growth of +7.3%

Freight rate

+1.3%

HL organic growth +2.5%

Transport expenses per TEU

-1.0%

HL stand-alone +1.0%

EBIT

USD 97 m

Positive operating result

Q2 EBIT:
USD 93 m

EBITDA

USD 393 m

8.0% EBITDA margin

Q2 EBITDA:
USD 253 m

Group profit / loss

USD -49 m

1.2% ROIC annualized

Q2 Group profit:
USD 18 m

Equity

USD 6.8 bn

Increased equity

Liquidity reserve

USD 1.3 bn

Solid liquidity reserve

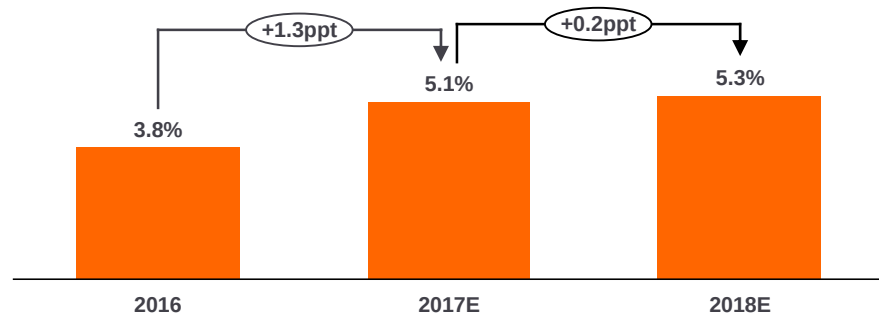
Net debt

USD 7.4 bn

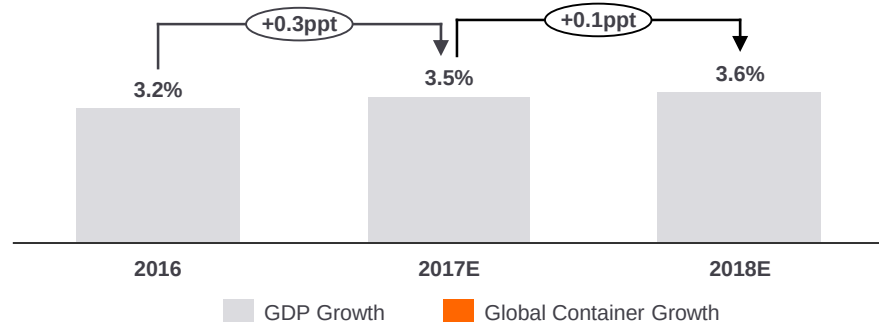
Consolidated financial position

Demand: Strong GDP and volume growth leads to gradually increasing freight rates but substantially higher bunker price

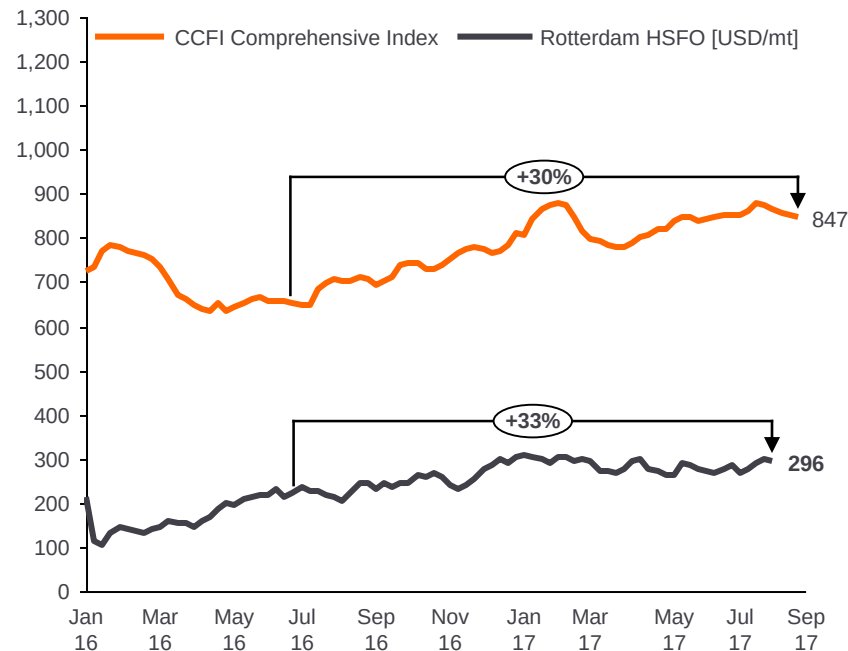
Global Container Trade Growth [%]



GDP Growth [%]



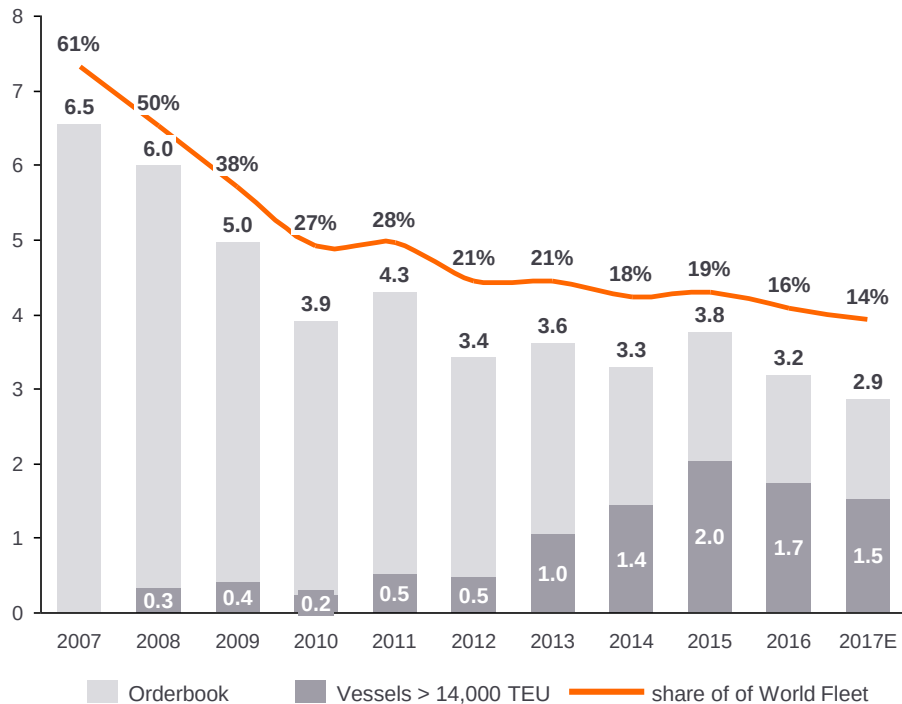
CCFI vs. Bunker



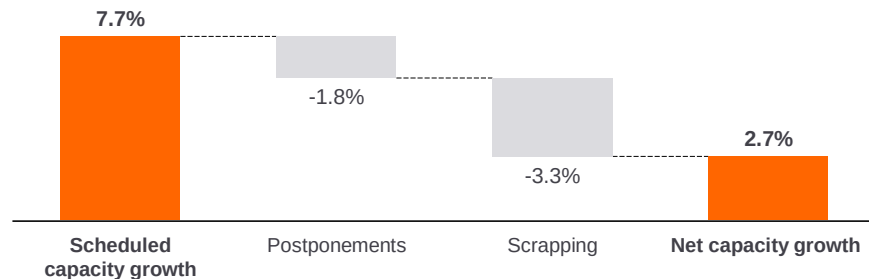
Supply: Capacity growth slowing – Market recovery reflected in historically low order book

Orderbook-to-fleet

[TEU m, %]



Net capacity growth 2017E



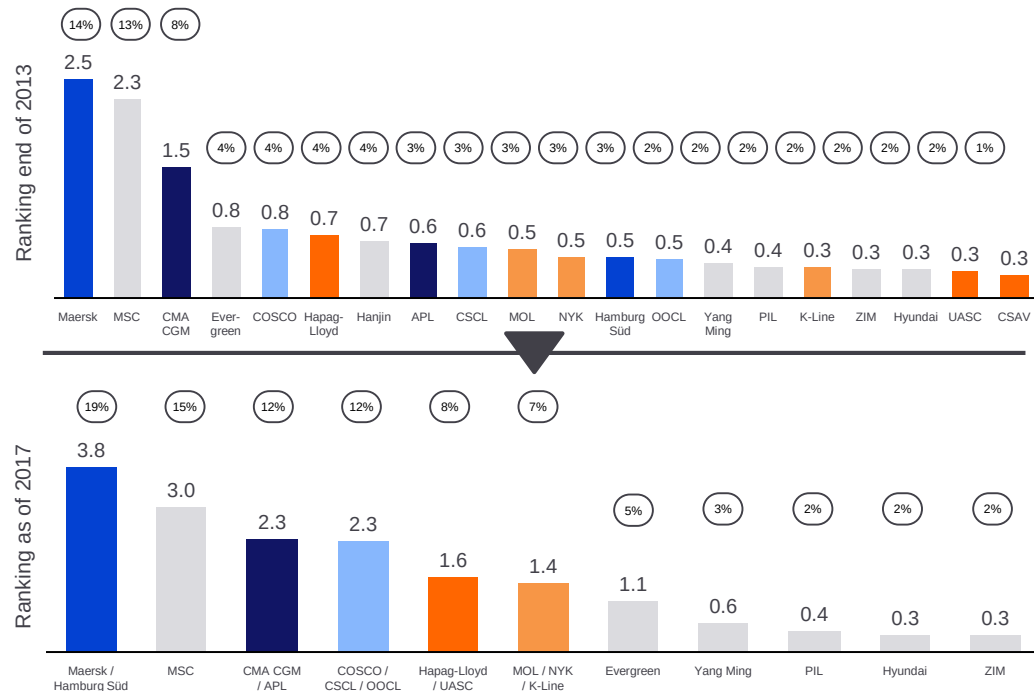
Comments

- With ongoing consolidation **industry fundamentals** are **improving**
- Order book continuously depleting** - orderbook-to-fleet ratio expected to fall to 14% in 2017
- In the first six months of the year, **no new orders for vessels > 4,000 TEU** have been placed
- Scrapping remains at high levels** keeping net capacity growth low – net capacity growth of 2.7% expected for 2017

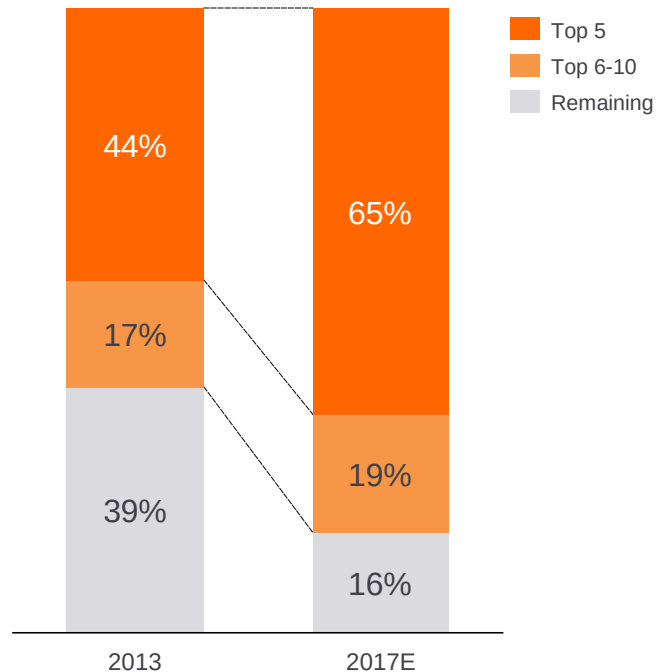
Consolidation: As a result of consolidation capacity share of Top 5 players in the industry is strongly increasing

Current consolidation wave leads to higher concentration

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

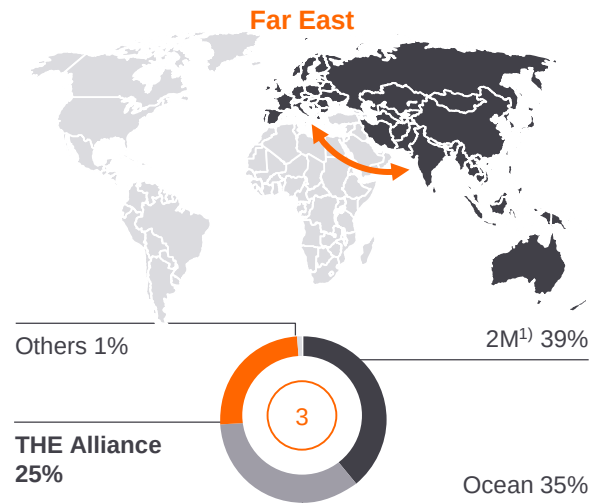
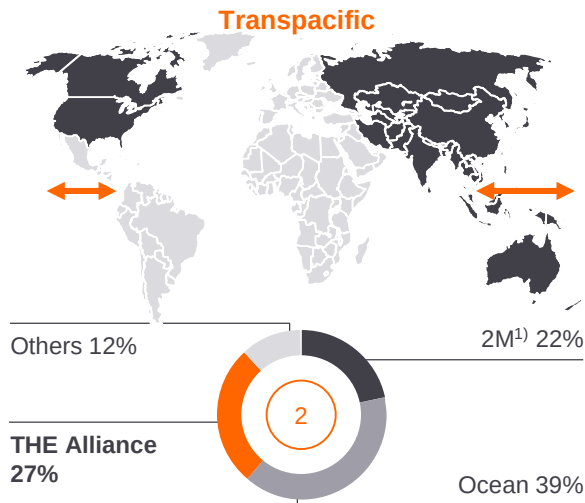
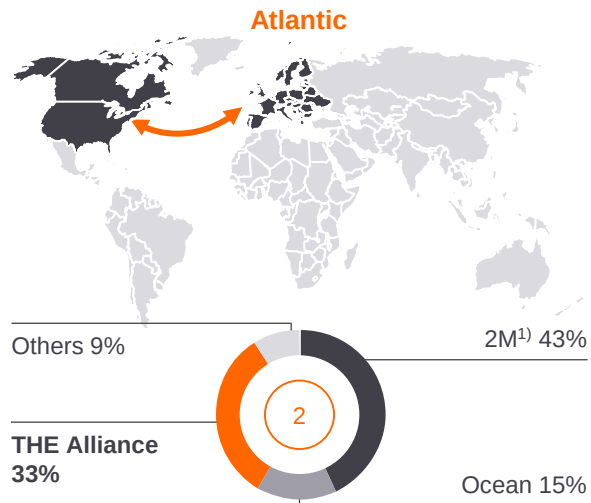


Global capacity share [%]



As of 1 April, Alliances have been reshuffled – THE Alliance is competitive on all trades

Competitive on all trades



Alliance members



EBITDA of USD 393 m in H1 2017 – Operating result clearly above previous year's level

Operational KPIs

	Q1 2017	Q2 2017	H1 2017	H1 2016	YoY
Transport volume [TTEU]	1,934	2,287	4,221	3,703	14%
Freight rate [USD/TEU]	1,047	1,064	1,056	1,042	1%
Bunker price [USD/t] ¹⁾	313	311	312	198	58%
Exchange rate [EUR/USD]	1.07	1.08	1.08	1.11	-3%
Revenue [USD m]	2,271	2,629	4,900	4,212	16%
EBITDA [USD m]	140	253	393	219	80%
<i>EBITDA margin</i>	6.2%	9.6%	8.0%	5.2%	2.8ppt
EBIT [USD m]	4	93	97	-44	n.m.
<i>EBIT margin</i>	0.2%	3.5%	1.9%	-1.0%	3.0ppt
Group profit / loss [USD m]	-66	18	-49	-158	n.m.

H1 result incl. one-off effects related to first-time consolidation and integration of UASC / Total one-off costs estimated at USD 130 m

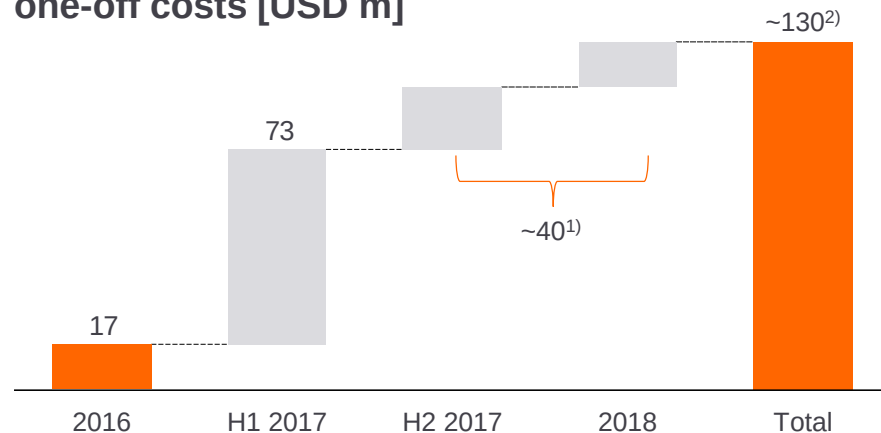
Transaction & integration related one-off costs [USD m] H1 2017



Comments

- In H1 2017 first time consolidation of UASC generated one-off income of USD 52.3 m (badwill) and restructuring cost of USD 73 m
- Net one-off effect on H1 2017 EBIT of USD ~20 m**

Total transaction & integration related one-off costs [USD m]

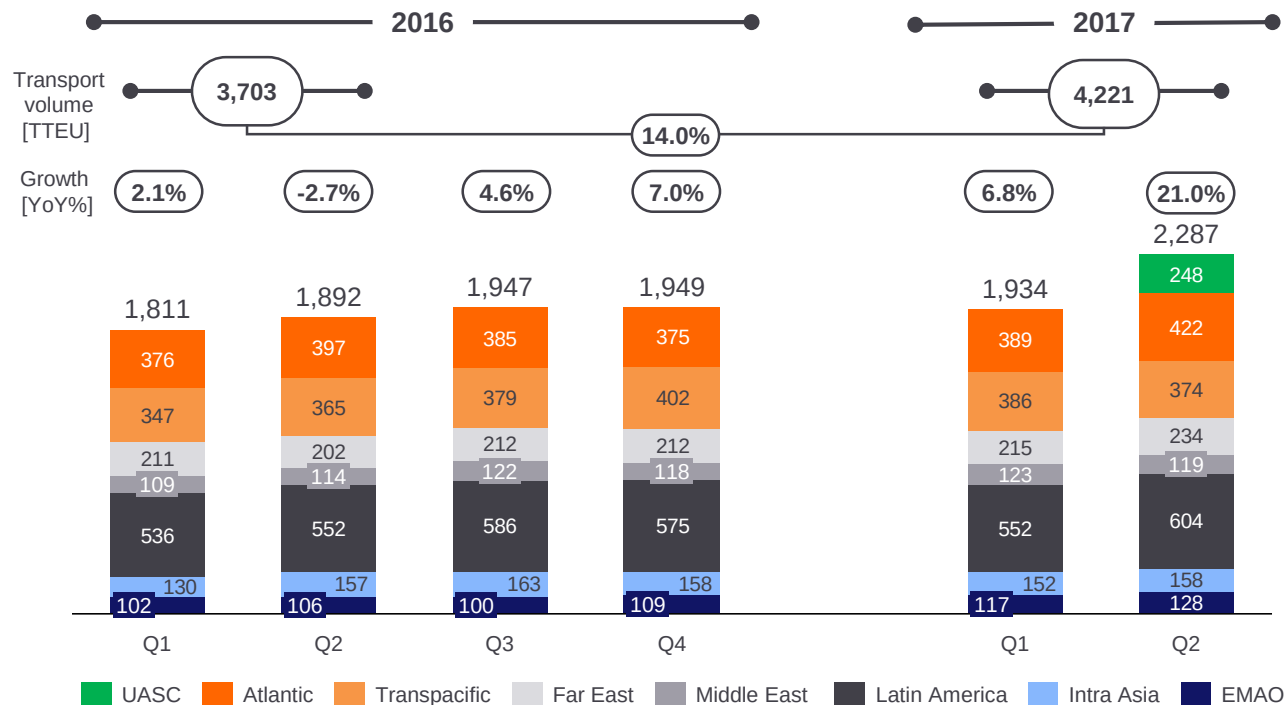


Comments

- Total transaction and integration related **one-off costs approx. USD 130 m²⁾**

Strong increase in transport volume of 14% in H1 2017 – UASC adds additional 248 TTEU since the initial consolidation

Transport volume per trade [TTEU]

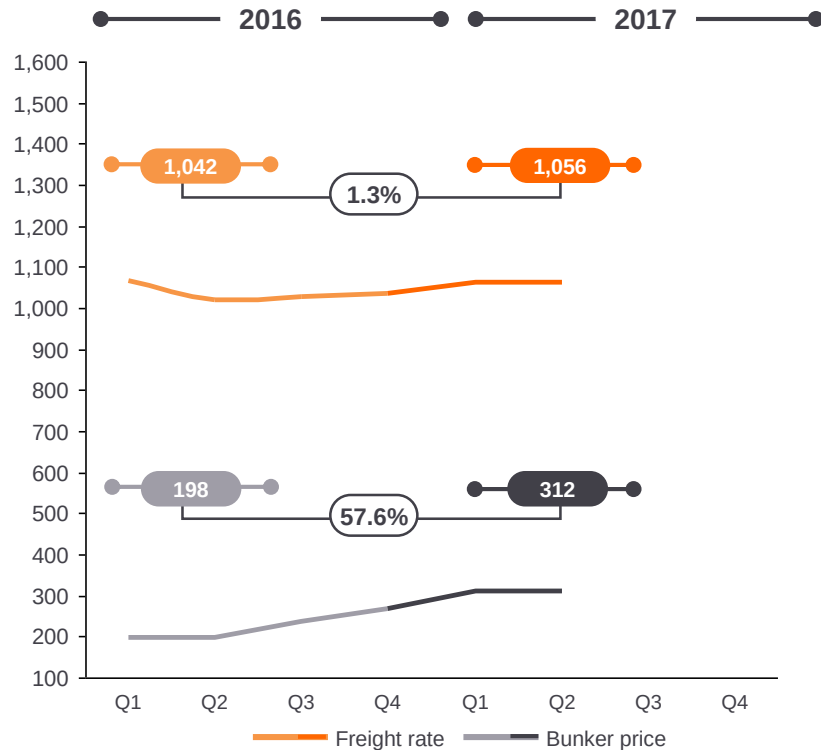


Comments:

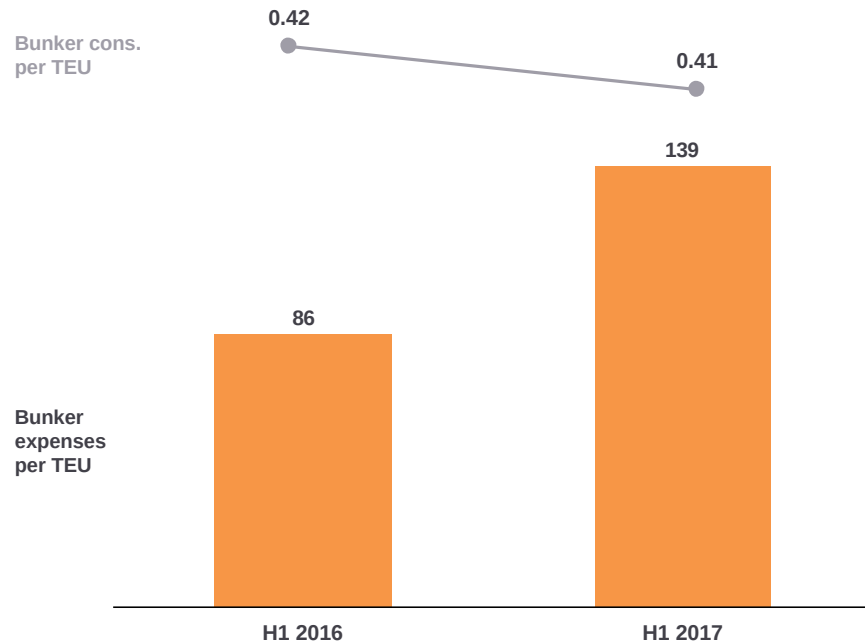
- Organic increase of 270 TTEU (7.3%) and additional 248 TTEU added by UASC resulting in a transport volume of 4,221 TTEU in H1 2017
- Enhanced market presence in the attractive Middle East trade
- Strong growth as a result of balanced positioning in all trades
- All trades contributed to this positive performance

Freight rates slightly up 1.3% YoY - Hapag-Lloyd profits from optimized bunker consumption

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

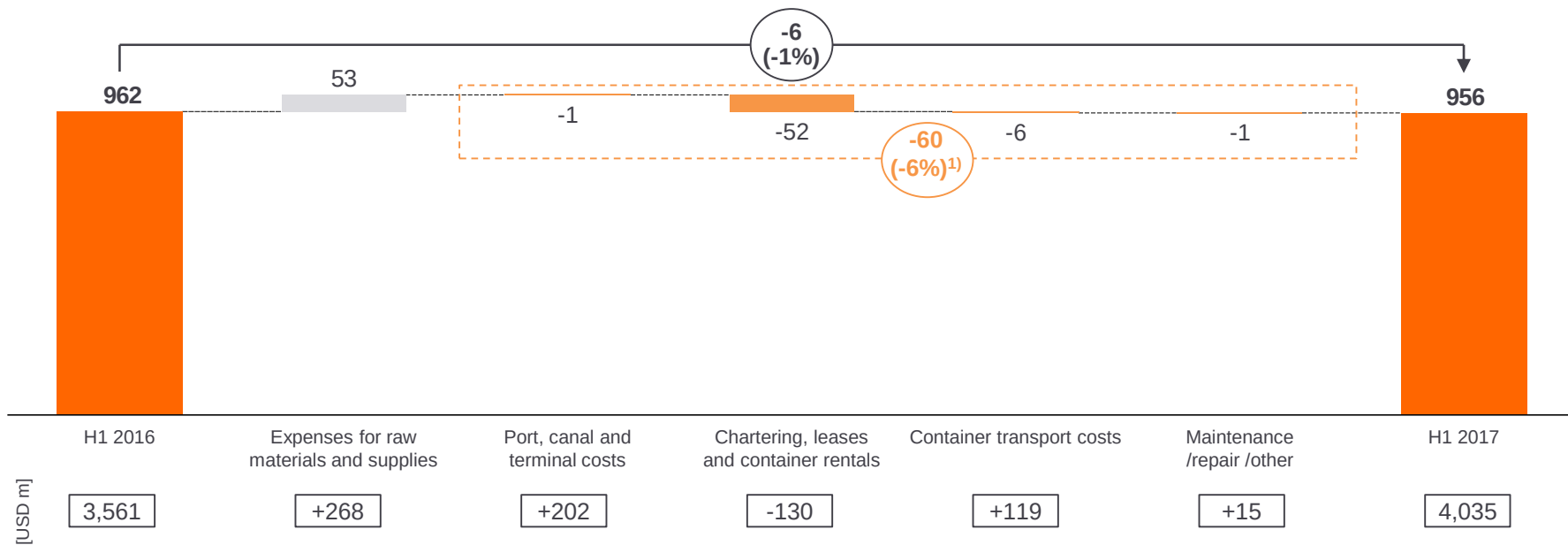


Bunker consumption & expenses



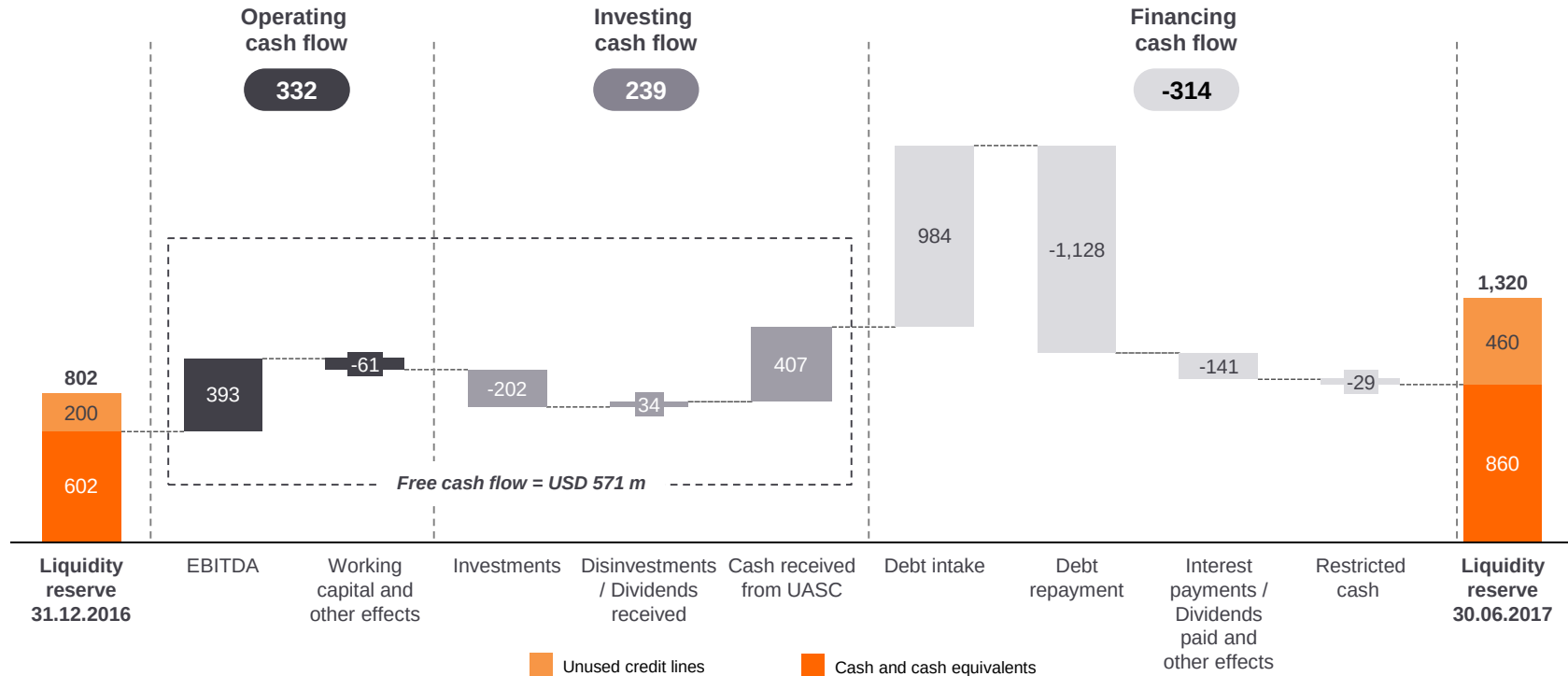
As a result of continuous cost cutting transport expenses per TEU came down 1% YoY – despite higher bunker prices

Transport expenses per TEU [USD/TEU]



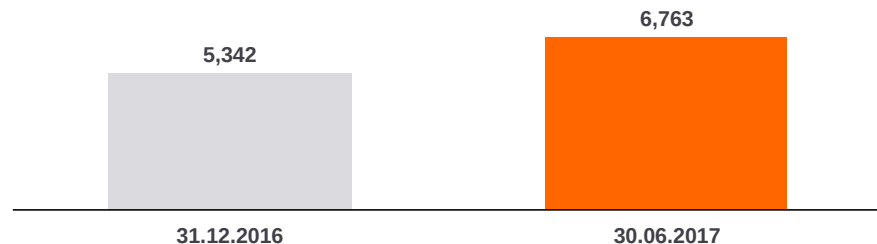
Substantial free cash flow in H1 2017 – Clearly improved EBITDA major driver for free cash flow generation

Cash flow H1 2017 [USD m]

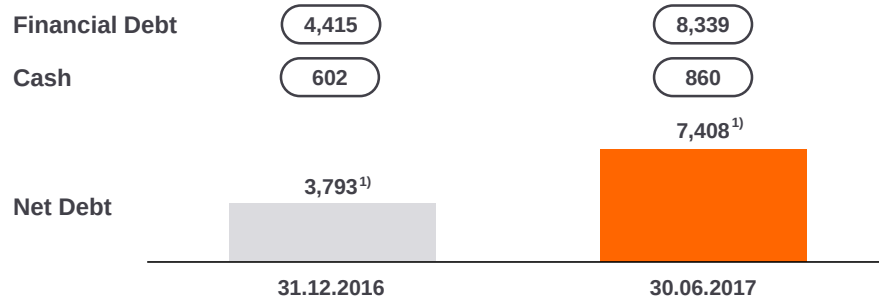


Equity at USD 6.8 bn and liquidity reserve at USD 1.3 bn – Structure of balance sheet reflects first time consolidation of UASC

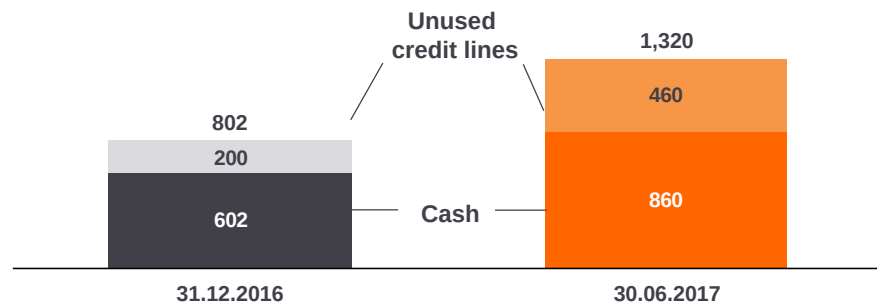
Equity base [USD m]



Net debt [USD m]



Liquidity position [USD m]



Comments

- **Strong liquidity reserve of USD 1.3 bn** (consisting of cash, cash equivalents and unused credit facilities)
- **Equity ratio** decreases to **37.5%** due to a substantial increase in assets
- **Net debt** increased by USD 3.6 bn compared to 31.12.2016 as a result of first time consolidation of UASC Group

Hapag-Lloyd / UASC merger successfully completed on 24 May 2017 – First optimization measures already implemented

At a glance

	 Hapag-Lloyd	 UASC	Combined Entity ¹⁾	Combined Entity ³⁾
 Corporate HQ	Hamburg	Dubai	Hamburg	Hamburg
 Alliance membership	G6 (until 31 March 2017)	Ocean 3 (until 31 March 2017)	THE Alliance (since 1 April 2017)	The Alliance (since 1 April 2017)
 Services	118	45	163 ²⁾	129
 Vessels [#]	172	58	230	219
 Capacity [TEU m]	1.0	0.6	1.6	1.6
 Container [TEU m]	1.6	0.7	2.3	2.3
 Employees	9,413	3,534	12,947	12,585

Deal rationale



Strengthened market position



Well-balanced trades



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



Large, young fleet



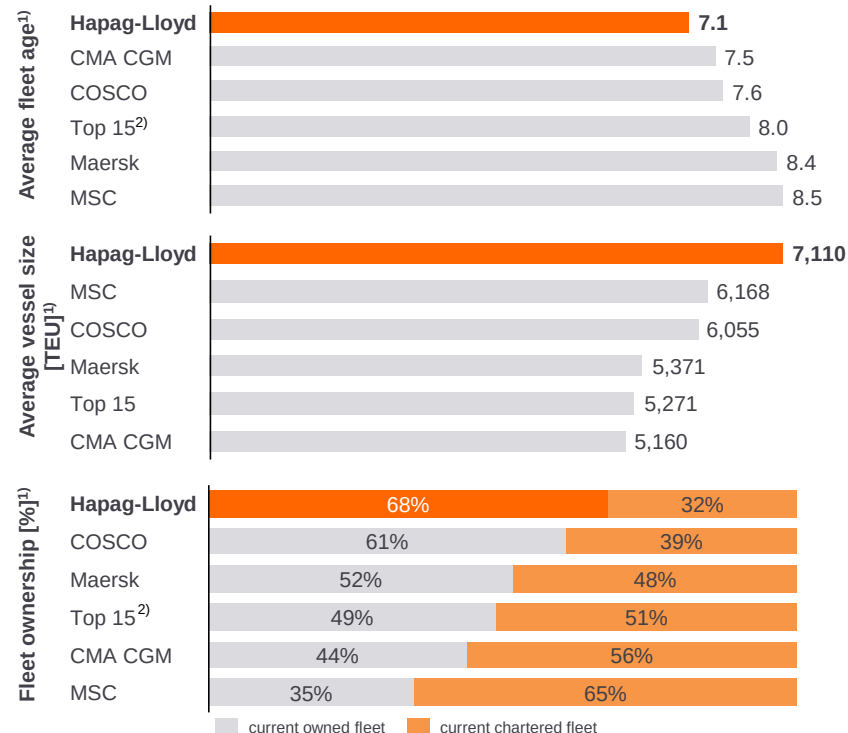
Significant synergy effects



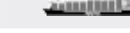
Strong partnerships

Fleet optimization – Efficient and young fleet with a low level of investment needed

Young and fuel-efficient fleet



Vessel fleet (as of 30 June)

Vessel	Owned	Chartered	Current fleet
>14,000 TEU			
 TEU Vessels	254,157 15	- -	254,157 15
10,000 – 14,000 TEU			
 TEU Vessels	305,876 24	61,087 6	366,963 30
8,000 – 10,000 TEU			
 TEU Vessels	243,613 28	142,175 16	385,789 44
6,000 – 8,000 TEU			
 TEU Vessels	108,327 15	71,779 11	180,106 26
4,000 – 6,000 TEU			
 TEU Vessels	109,164 25	118,318 23	227,482 48
2,300 – 4,000 TEU			
 TEU Vessels	33,800 11	82,930 28	116,730 39
<2,300 TEU			
 TEU Vessels	3,918 2	21,868 15	25,786 17
Capacity [TEU]	1,058,856	498,157	1,557,013
Vessels	120	99	219

1) Diagram assuming that all currently announced mergers (NYK & MOL & K-Line; Maersk & Hamburg Süd; COSCO & OOCL) will receive regulatory approvals and are executed as announced.

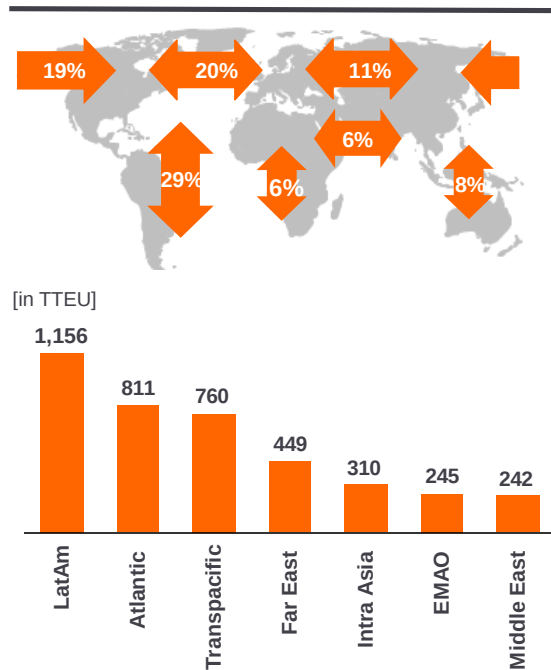
Simple sum of stand-alone operating capacity 2) Weighted by carrier capacities

Note: As of 30 June 2017 the order book included 2 vessels with a capacity 15,000 TEU, one of which has been delivered in July 2017, both vessels are not included in the vessel fleet as of 30 June 2017

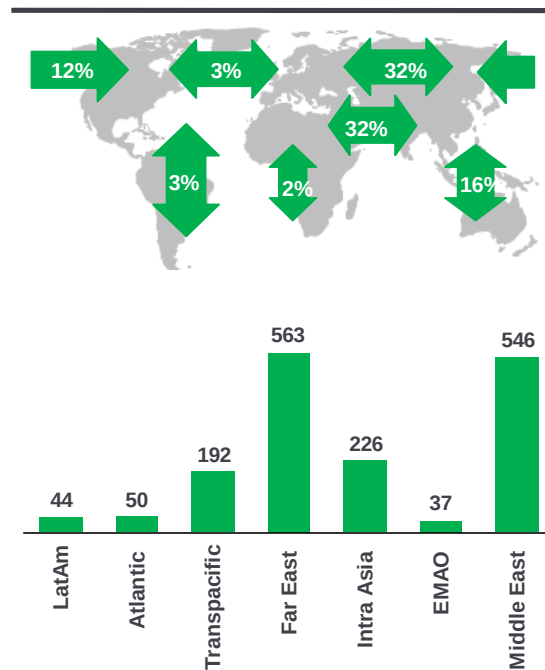
Trade portfolio optimization – Enhanced market presence in attractive Middle East trade and solid position in all other trades

Transport volume by trade, H1 2017 (indicative)

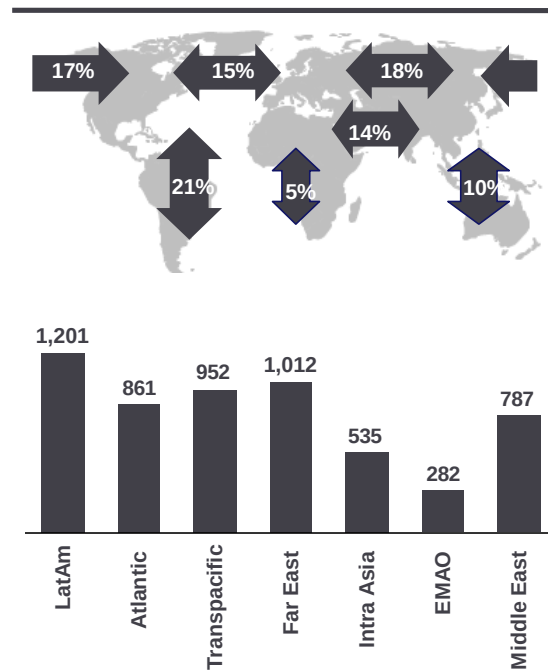
Hapag-Lloyd



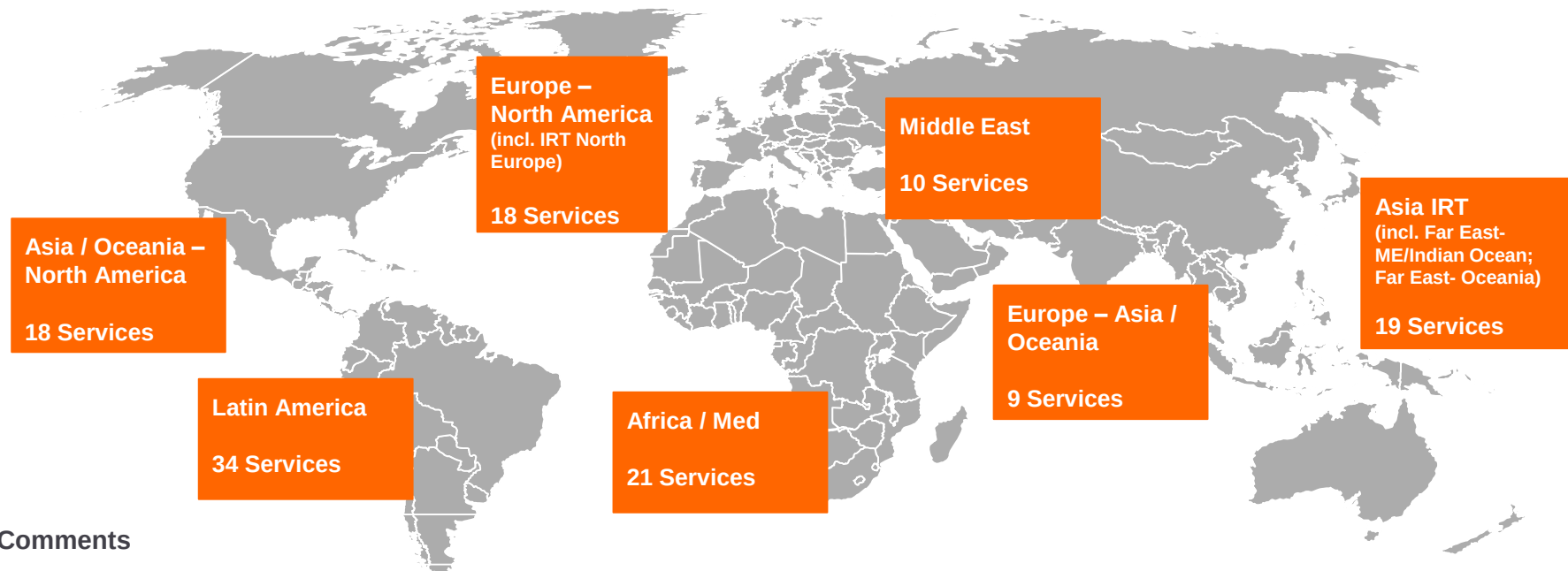
UASC¹⁾



Combined Entity¹⁾



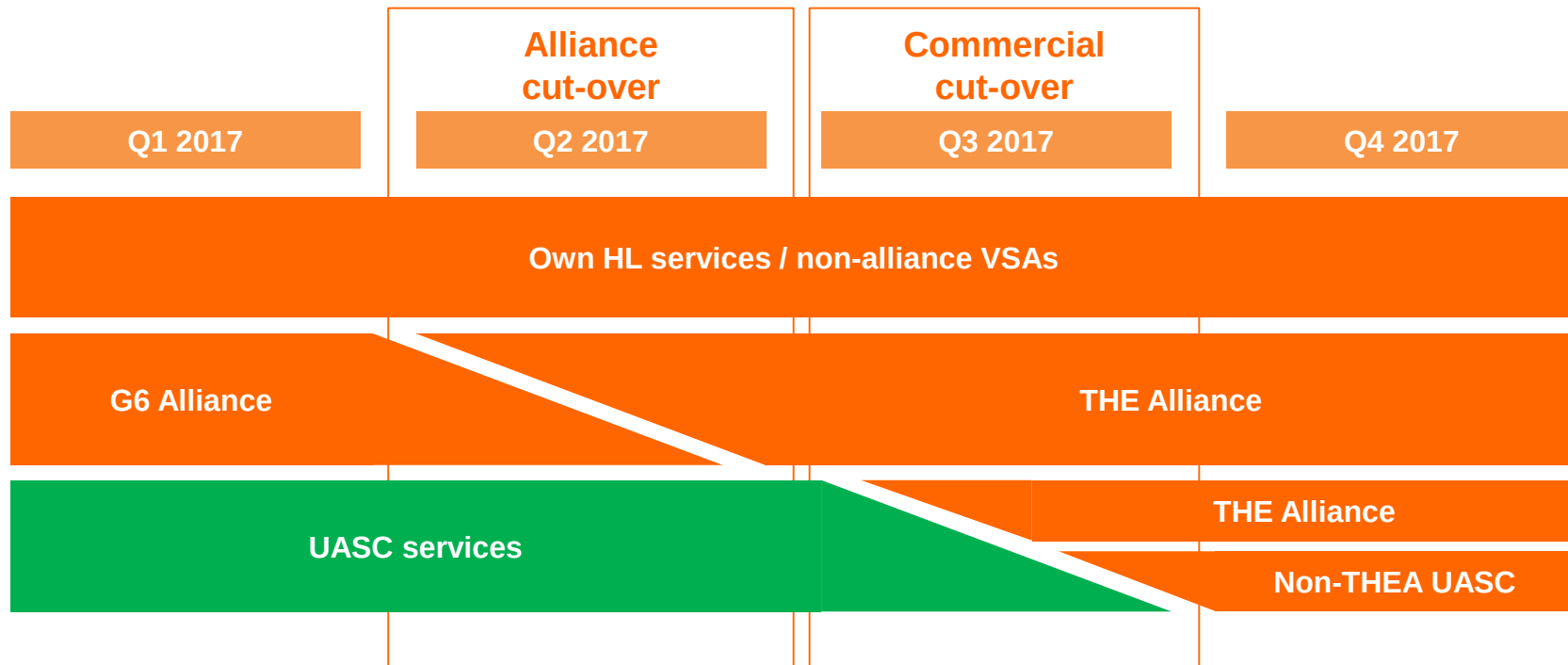
Network optimization – Network of 129 services offers a highly efficient global product



Comments

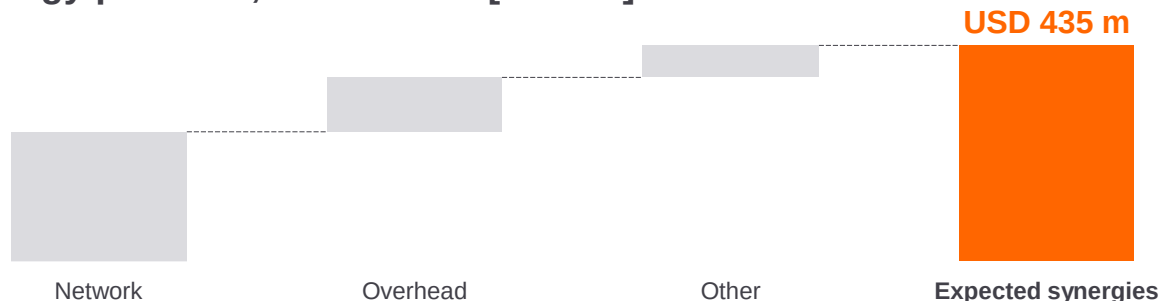
- As UASC vessels were already part of THE Alliance services which commenced on 1 April 2017, network synergies could already be realized from day 1 onwards
- Through combined services and an efficient new fleet Hapag-Lloyd has increased its network efficiency – 118 former Hapag-Lloyd services and 45 former UASC services have been combined to 129 services offering an improved product

Major integration projects well on track – Commercial integration to be completed by end of Q3



Synergies of USD 435 m p.a. 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 p.a. from 2019 onwards

Total transaction and integration related one-off costs are expected to amount to USD 130 m¹⁾

Strong consolidation track record



cpships

2005

- Realized net synergies of EUR 218 m in 2008



CSAV

2014

- Realized net synergies of USD 400 m in 2017

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)

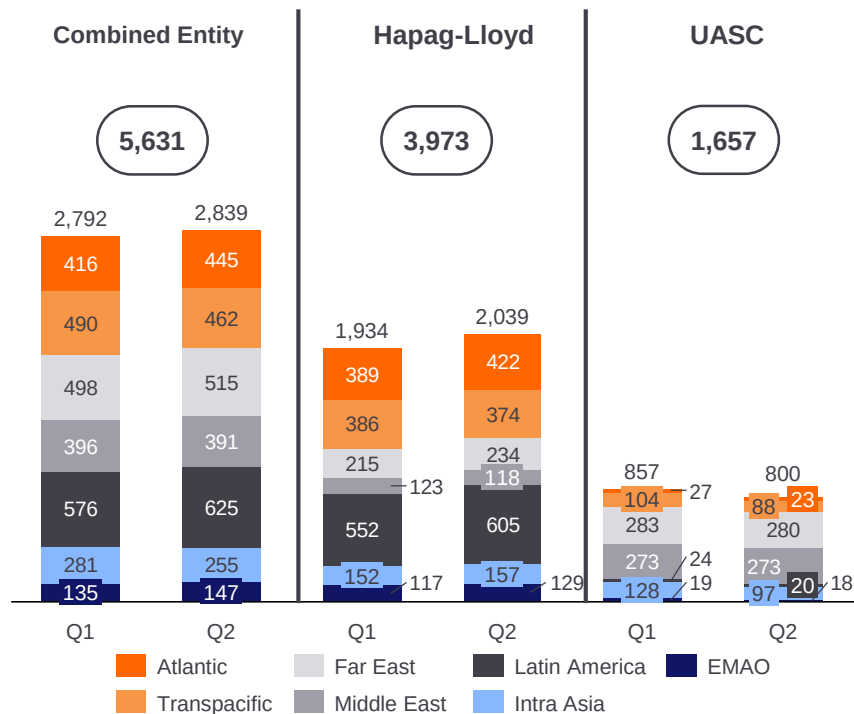
Other (terminals, equipment and intermodal)

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

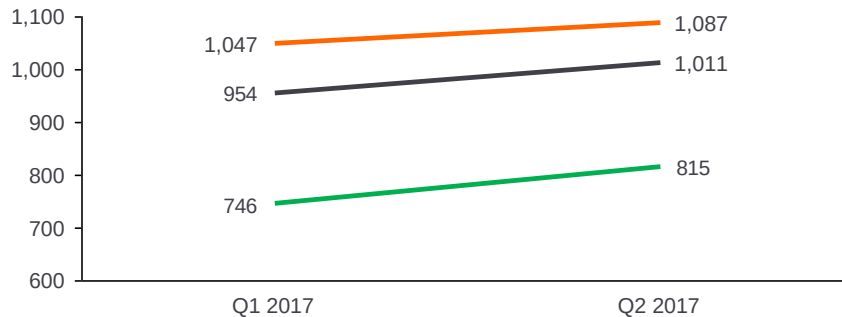
Solid underlying volume growth and moderate rate improvement on pro forma basis for the first six months of 2017

Pro forma transport volume per trade

Transport volume [TTEU]



Pro forma freight rate



Comments

- Combined pro forma **freight rate moderately improving**
- UASC stand-alone freight rate below Hapag-Lloyd stand-alone freight rate, therefore freight rate will not substantially increase in 2017
- Pro forma transport volume with **solid growth in all trades**
- UASC contributes 1,657 TTEU in H1 2017

Combined Entity Hapag-Lloyd UASC

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 ¹⁾

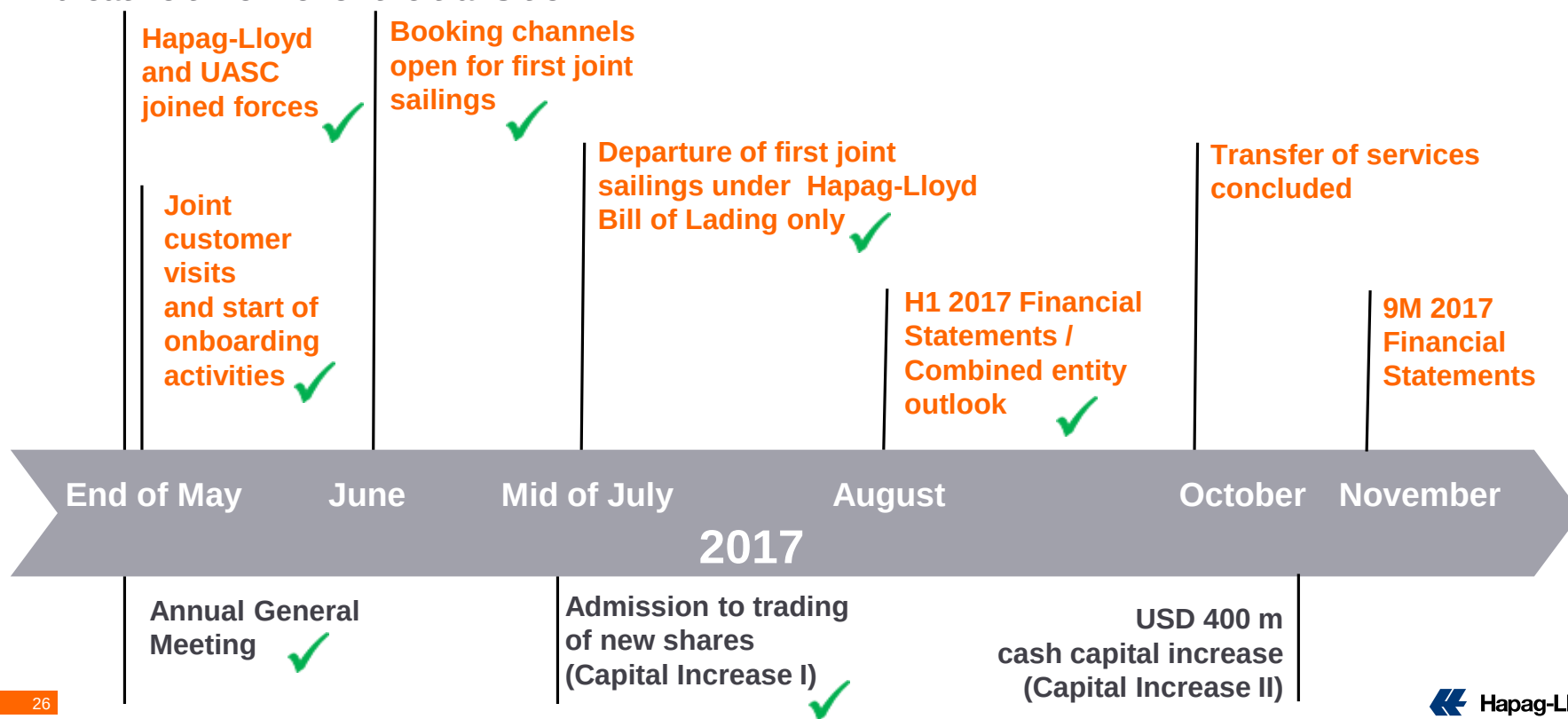
Hapag-Lloyd Guidance including UASC

Guidance for 2017

	FY 2016 (HL stand-alone)	Guidance for 2017 (Combined Entity)
Transport volume	7.6 TEU m	Increasing clearly
Average bunker consumption price	210 USD/mt	Increasing clearly
Freight rate	1,036 USD/TEU	Unchanged
EBITDA	USD 671 m	Increasing clearly
EBIT	USD 140 m	Increasing clearly

Our commitment: A seamless and quick integration

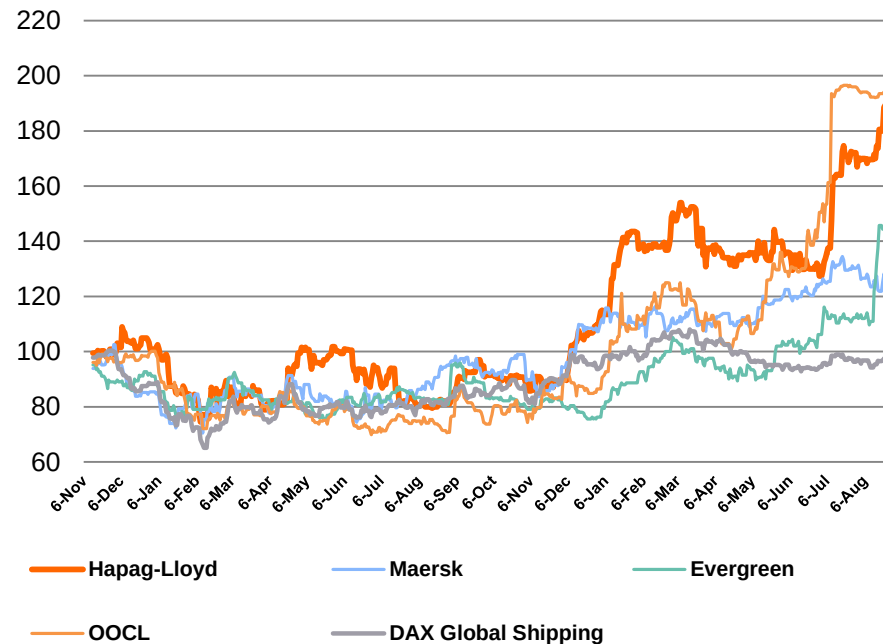
Indicative timeline for the transition





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 / Ticker Symbol

DE000HLAG475 / HLAG47

Ticker Symbol

HLAG

Primary listing

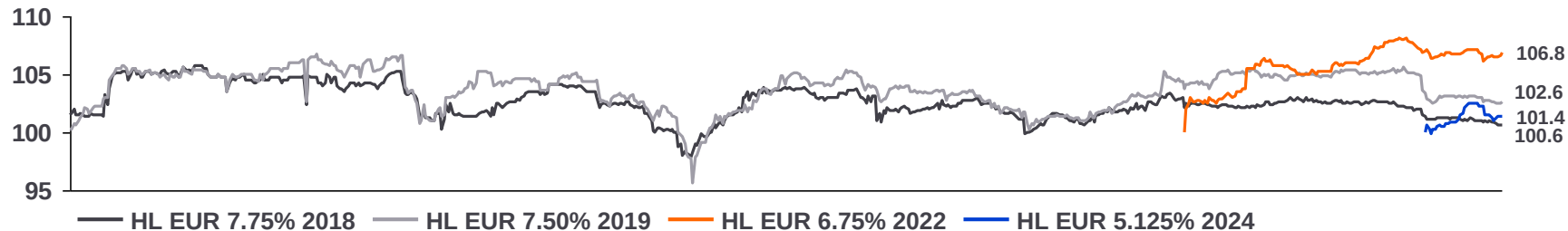
6 November 2015

Number of shares

164,042,940

...and lower bond yields

Bonds trading

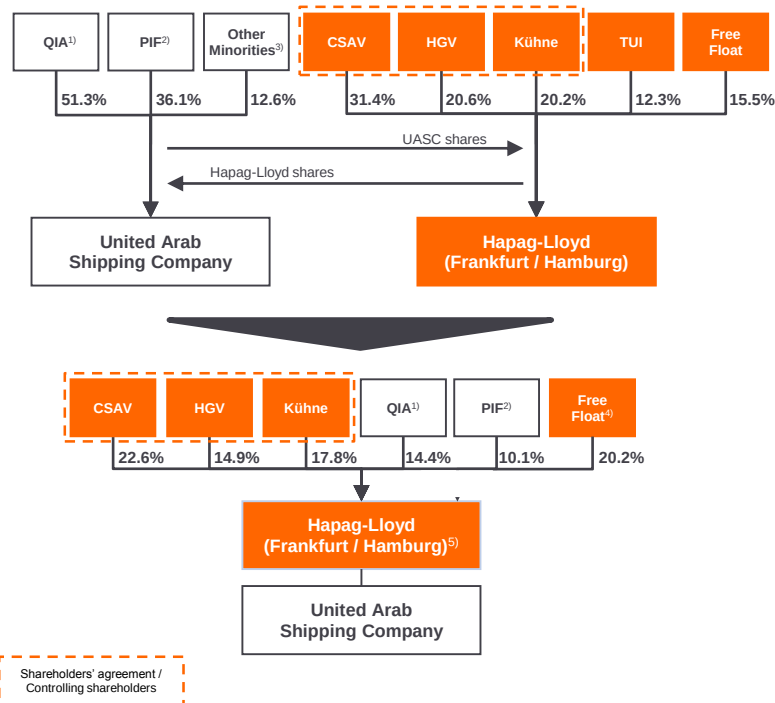


	EUR Bond 2024	EUR Bond 2022	EUR Bond 2019	EUR Bond 2018
Listing	Open market of the Luxembourg Stock Exchange (Euro MTF)			
Volume	EUR 450 m ²⁾	EUR 450 m	EUR 250 m	EUR 200 m ¹⁾
ISIN / WKN	XS1645113322	XS1555576641 / A2E4V1	XS1144214993 / A13SNX	XS0974356262 / A1X3QY
Maturity Date	Jul 15, 2024	Feb 1, 2022	Oct 15, 2019	Oct 1, 2018
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%	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%
Coupon	5.125%	6.75%	7.50%	7.75%

1) Partial redemption by nominal EUR 200 m on 9 March 2017; 2) Bond will be listed on the Luxembourg Stock Exchange from mid July onwards

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

Transaction overview

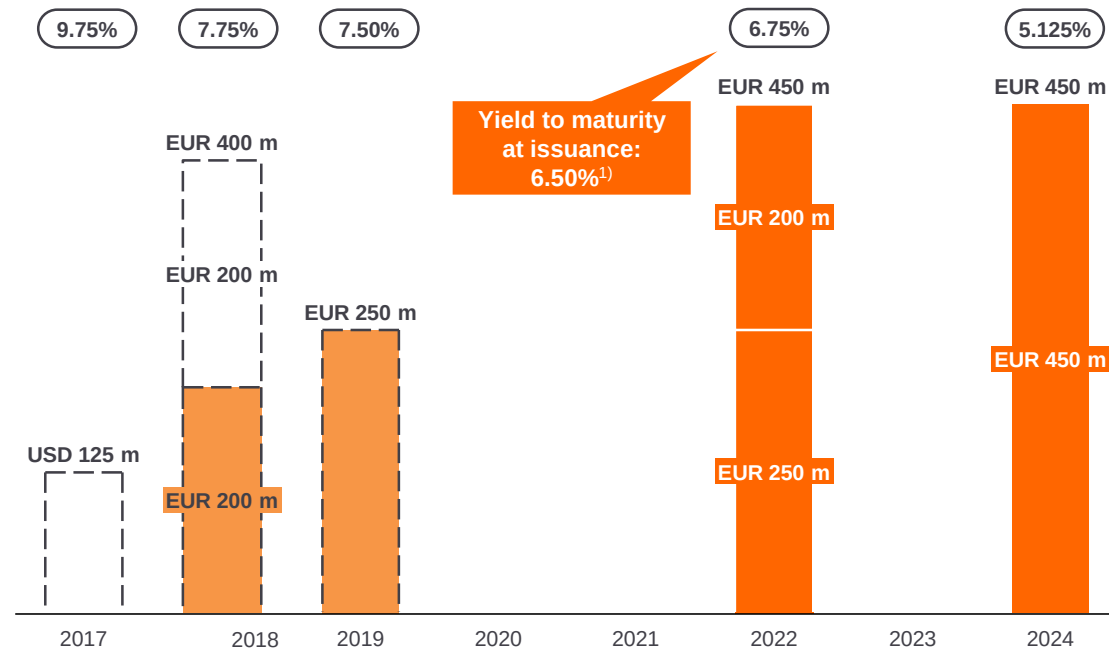


- UASC shares contributed to Hapag-Lloyd in exchange for newly issued Hapag-Lloyd shares
- Continued investment of sovereign wealth funds QIA and PIF highlight continued strategic importance of HL for the region
- C. 39% of shareholders representing governmental bodies and interests
- C. 37% of shareholders 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" in subsidiary of 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 on behalf of the state of Kuwait (5.1%), Republic of Iraq (5.1%), United Arab Emirates (2.1%) and Bahrain (0.4%)
 4) Including 3.6% Other UASC Shareholders (KIA, Iraq, UAE and Bahrain) 5) Shareholding structure prior to cash capital increase; percentages have been rounded

Hapag-Lloyd optimized its maturity profile via debt capital markets at more attractive pricing levels

Bond coupon and maturity profile

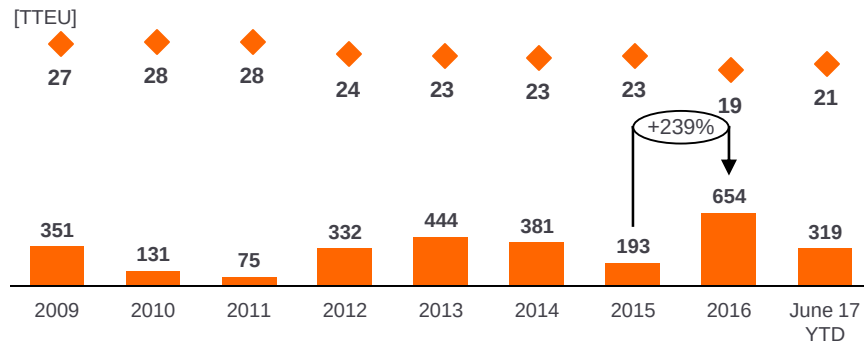


- On 18 Jan 2017 Hapag-Lloyd successfully priced a new bond of EUR 250 m due 2022 – on 7 Feb 2017 the company tapped the new bond by additional EUR 200 m at issue price of 102.375%
- The proceeds were used to redeem the outstanding 9.75% USD bond due 2017, partially redeem the 7.75% EUR bond due 2018 and for general corporate purposes (including further repayment of existing indebtedness)
- On 4 Jul 2017 Hapag-Lloyd successfully priced an additional bond of EUR 450 m due in 2024
- The proceeds will be used to redeem the outstanding 7.75% EUR bond due 2018 as well as the 7.50% EUR bond due in 2019

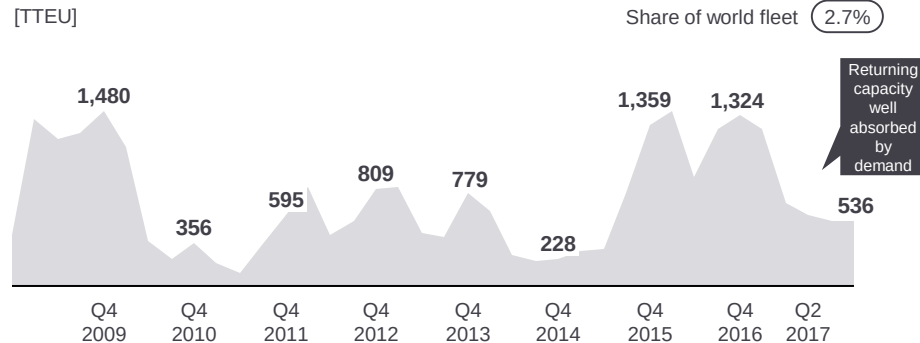
Supply:

Scrapping and postponements help to keep net capacity growth low

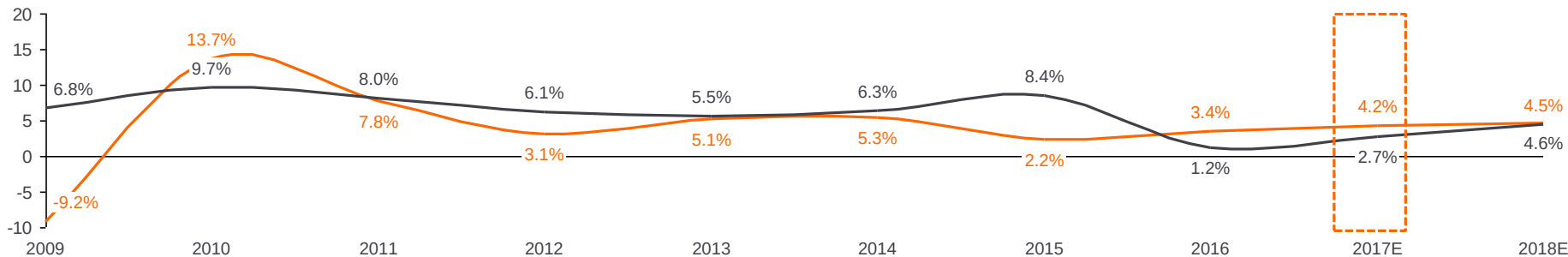
Scrapping



Idle fleet

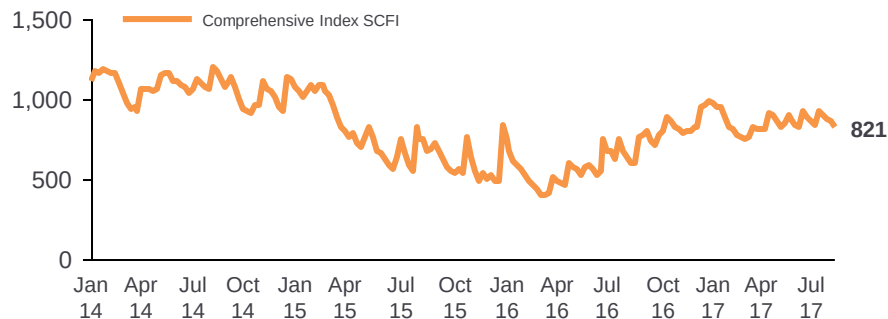


Supply / demand gap

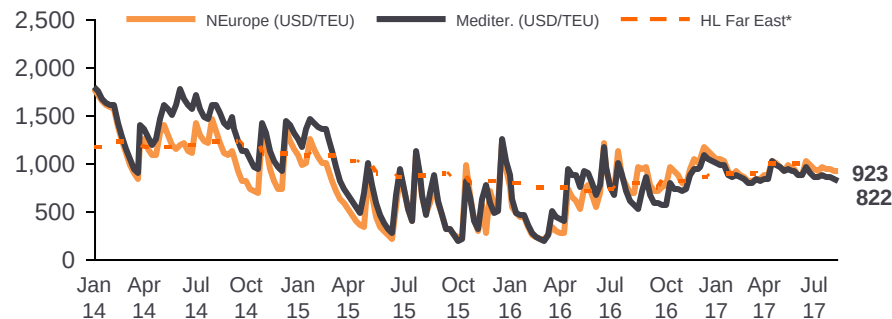


Freight rates with continued slow recovery – Steady trend since historic low in Q2 2016

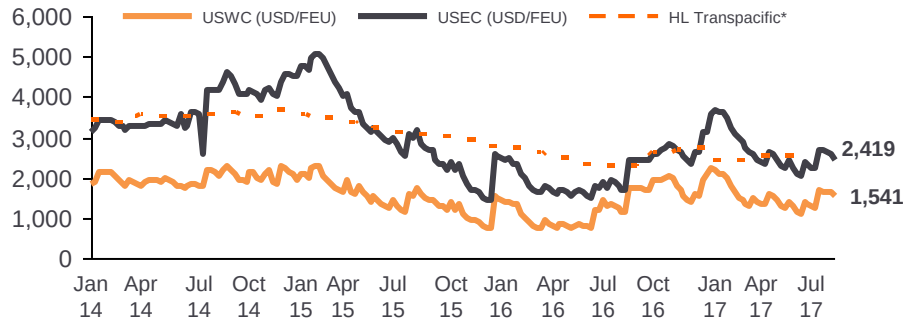
Comprehensive Index (SCFI)



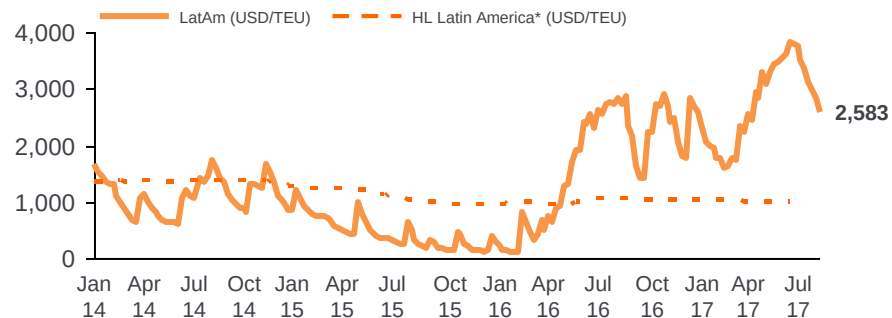
Shanghai – Europe (SCFI)



Shanghai – USA (SCFI)



Shanghai – Latin America (SCFI)



H1 2017: Hapag-Lloyd with positive EBITDA of USD 393 m

Income statement [USD m]

	H1 2017	H1 2016	% change
Revenue	4,899.7	4,212.2	16%
Other operating income	114.3	65.2	75%
Transport expenses	-4,035.5	-3,561.3	13%
Personnel expenses	-373.3	-283.0	32%
Depreciation, amortization & impairment	-296.6	-263.0	13%
Other operating expenses	-232.2	-227.8	n.m.
Operating result	76.4	-57.7	n.m.
Share of profit of equity-acc. investees	19.9	13.4	49%
Other financial result	0.2	0.1	n.m.
Earnings before interest & tax (EBIT)	96.5	-44.2	n.m.
EBITDA	393.1	218.8	80%
Interest result	-132.0	-100.0	32%
Income taxes	-13.0	-13.9	n.m.
Group profit / loss	-48.5	-158.1	n.m.

Transport expenses [USD m]

	H1 2017	H1 2016	% change
Expenses for raw materials & supplies	587.2	319.0	84%
Cost of purchased services	3,448.3	3,242.3	6%
Thereof			
Port, canal & terminal costs	1,662.2	1,460.2	14%
Chartering leases and container rentals	496.4	626.1	-21%
Container transport costs	1,155.1	1,036.3	11%
Maintenance/ repair/ other	134.6	119.7	12%
Transport expenses	4,035.5	3,561.3	13%

Transport expenses per TEU [USD / TEU]

	H1 2017	H1 2016	% change
Expenses for raw materials & supplies	139.1	86.1	61%
Cost of purchased services	816.8	875.6	-7%
Thereof			
Port, canal & terminal costs	393.8	394.4	0%
Chartering leases and container rentals	117.6	169.1	-30%
Container transport costs	273.6	279.9	-2%
Maintenance/ repair/ other	31.8	32.3	-2%
Transport expenses	955.9	961.7	-1%

H1 2017: Hapag-Lloyd with equity ratio of 37.5% - reflecting the capital increase as well as the initial inclusion of UASC

Balance sheet [USD m]

	30.06.2017	31.12.2016	30.06.2016
Assets			
Non-current assets	15,443.3	10,267.4	10,320.0
of which fixed assets	15,169.7	10,183.3	10,249.0
Current assets	2,580.3	1,698.0	1,577.4
of which cash and cash equivalents	859.6	602.1	527.2
Total assets	18,023.6	11,965.4	11,897.4
Equity and liabilities			
Equity	6,763.1	5,341.7	5,283.3
Borrowed capital	11,260.5	6,623.7	6,614.1
of which non-current liabilities	7,712.4	3,836.7	3,914.9
of which current liabilities	3,548.1	2,787.0	2,699.2
of which financial debt	8,339.3	4,414.9	4,264.6
thereof			
Non-current financial debt	7,274.3	3,448.4	3,489.7
Current financial debt	1,065.0	966.5	774.9
Total equity and liabilities	18,023.6	11,965.4	11,897.4

Financial position [USD m]

	30.06.2017	31.12.2016	30.06.2016
Cash and cash equivalents	859.6	602.1	527.2
Financial debt	8,339.3	4,414.9	4,264.6
Net debt	7,408.1¹⁾	3,793.1¹⁾	3,737.4
Unused credit lines	460.0	200.0	336.6
Liquidity reserve	1,319.6	802.1	863.8
Equity	6,763.1	5,341.7	5,283.3
Gearing (net debt / equity) (%)	109.5%	71.0%	70.7%
Equity ratio (%)	37.5%	44.6%	44.4%



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