Corporate Development
CEO Rolf Habben Jansen
Hapag-Lloyd – 171 years young…

- **1847**: Founding of Hapag in Hamburg
- **1857**: Founding of Norddeutscher Lloyd (NDL)
- **1970**: Merger of Hapag and NDL to Hapag-Lloyd
- **2005**: Merger with CP Ships
- **2009**: Takeover by Albert Ballin Consortium
- **Profit slump in the course of the global economic crisis**
… and we continue to further build the company and help shape the future of the Industry…

2014

- CSAV Merger: Hapag-Lloyd kicked off the latest wave of sector consolidation
- CSAV Synergies exceeded expectations
- Successful IPO in challenging stock market environment

Today

- BCA with UASC signed
- Closing of the UASC Merger
- Successful cash capital increase of USD 413m
- Successful bond refinancing of EUR 450m at 6.75%
- First time dividend since the IPO

Compete-to-Win successfully changed the way how we sell

Successful bond refinancing of EUR 450m at 5.125%

Successful IPO in challenging stock market environment
...as illustrated by some key figures when looking back only a few years

**People**

- 2014: 7,000 People
- 9M 2018: 12,660 People

**Vessel Size & Age**

- 2014: 5,300 TEU, 8.7 years
- 9M 2018: 7,190 TEU, 7.5 years

**Volume**

- 2014: 5,900 TTEU
- LTM 9M 2018: 11,700 TTEU

**Revenue**

- 2014: USD 9,050 m
- LTM 9M 2018: USD 13,200 m

**Note:** Rounded figures, 2014 figures before CSAV integration in December 2014
The past years, the industry has gone through a needed and unprecedented wave of consolidation…

### Industry consolidation

**Carrier capacity [TEU m]**

<table>
<thead>
<tr>
<th>Carrier</th>
<th>Ranking end of 2013</th>
<th>Ranking as of 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maersk</td>
<td>2.5</td>
<td>3.9</td>
</tr>
<tr>
<td>MSC</td>
<td>2.3</td>
<td>3.2</td>
</tr>
<tr>
<td>CMA CGM</td>
<td>1.5</td>
<td>2.8</td>
</tr>
<tr>
<td>Evergreen</td>
<td>0.8</td>
<td>1.6</td>
</tr>
<tr>
<td>COSCO Hapag-Lloyd</td>
<td>0.8</td>
<td>2.6</td>
</tr>
<tr>
<td>Hanjin</td>
<td>0.7</td>
<td>1.6</td>
</tr>
<tr>
<td>APL</td>
<td>0.7</td>
<td>1.2</td>
</tr>
<tr>
<td>CSCL</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>MOL</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>NYK</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td>HSüd</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td>OOCL</td>
<td>0.4</td>
<td>0.3</td>
</tr>
<tr>
<td>Yang Ming</td>
<td>0.4</td>
<td>0.3</td>
</tr>
<tr>
<td>PIL</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>K-Line</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>ZIM</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Hyundai/UASC</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>CSAV</td>
<td>0.3</td>
<td>0.3</td>
</tr>
</tbody>
</table>

### Global capacity share [%]

- **2013**
  - Top 5: 44%
  - Top 6-10: 17%
  - Remaining: 19%

- **2018**
  - Top 5: 64%
  - Top 6-10: 39%
  - Remaining: 17%

Source: MDS Transmodal (October 2013, Oct 2018), Alphaliner monthly (September 2018)
...and we leveraged our ability to integrate efficiently, which allowed us to create significant value and achieve sustainable scale.

Timeline of major integration activities

Synergies gained (in USDm)

Initially estimated synergies

<table>
<thead>
<tr>
<th>Year</th>
<th>Integration</th>
<th>Initial</th>
<th>Final</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>12 months</td>
<td>180</td>
<td>218</td>
</tr>
<tr>
<td>2014</td>
<td>8 months</td>
<td>300</td>
<td>400</td>
</tr>
<tr>
<td>2017</td>
<td>4 months</td>
<td>435</td>
<td></td>
</tr>
</tbody>
</table>
In that process we have also renewed a major part of our fleet…

Vessels & Total Capacity [#, TEUm]

Pre-CSAV
- 0.8 TEUm
- 144

Pre-UASC
- 1.0 TEUm
- 172

Today
- 1.6 TEUm
- 222

31 newbuilds were delivered from 2015 to 2017 while 26 vessels have been recycled since 2015.

- 6 x 19,870 TEU
- 11 x 15,000 TEU
- 5 x 10,500 TEU
- 7 x 9,300 TEU
- 2 x 3,500 TEU

Total newbuild capacity of ~400 TTEU

26 smaller and inefficient vessels have been environmentally friendly recycled since 2015.

Total recycled capacity of ~100 TTEU

Note: Rounded figures
...resulting in one of the youngest and most fuel efficient fleets in the industry...

<table>
<thead>
<tr>
<th>Company</th>
<th>Average fleet age [years]</th>
<th>Average vessel size [TEU]</th>
<th>Fleet ownership [%]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hapag-Lloyd</td>
<td>7.5</td>
<td>7,190</td>
<td>66%</td>
</tr>
<tr>
<td>COSCO</td>
<td>7.7</td>
<td>6,327</td>
<td>34%</td>
</tr>
<tr>
<td>CMA CGM</td>
<td>8.0</td>
<td>6,316</td>
<td>35%</td>
</tr>
<tr>
<td>Top 10</td>
<td>8.3</td>
<td>5,905</td>
<td>41%</td>
</tr>
<tr>
<td>Maersk</td>
<td>8.8</td>
<td>5,585</td>
<td>51%</td>
</tr>
<tr>
<td>MSC</td>
<td>9.5</td>
<td>5,369</td>
<td>55%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company</th>
<th>Current own fleet</th>
<th>Current chartered fleet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hapag-Lloyd</td>
<td>66%</td>
<td>34%</td>
</tr>
<tr>
<td>COSCO</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>Maersk</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>Top 10</td>
<td>49%</td>
<td>51%</td>
</tr>
<tr>
<td>CMA CGM</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>MSC</td>
<td>34%</td>
<td>66%</td>
</tr>
</tbody>
</table>

Source: MDS Transmodal (October 2018), Drewry (3Q 2018)

1) Weighted by carrier capacities
2) COSCO incl. OOCL
3) Includes finance leased vessels
...we have a well balanced network...

Transport volume by trade 9M 2018

9M 2014 TTEU

Latin America: 921
Atlantic: 959
Transpacific: 945
Far East: 1,033
Australasia: 489

9M 2018 TTEU

Latin America: 2,072
Atlantic: 1,382
Transpacific: 1,459
Far East: 1,601
Intra Asia: 783
Middle East: 1,115
EMAO: 488

16% 16% 18% 13% 9%
...a relevant global market share and a solid presence in all major trades...

Hapag-Lloyd’s Global Market Share on selected trades by transport volume [%]

Source: IHS Global Insight (October 2018), Internal data
...and are a core member of THE Alliance

### Alliance members

<table>
<thead>
<tr>
<th>THE Alliance</th>
<th>2M</th>
<th>Ocean Alliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hapag-Lloyd</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ONE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>YANG MING</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Capacity consolidation on key trades has improved substantially due to alliances

<table>
<thead>
<tr>
<th>Route</th>
<th>Percentage</th>
<th>THE Alliance</th>
<th>Ocean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlantic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2M</td>
<td>41%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>34%</td>
<td>THE Alliance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>16%</td>
<td>Ocean</td>
<td></td>
</tr>
</tbody>
</table>

| Transpacific|            |              |       |
| Others      | 12%        |              |       |
| 2M          | 20%        |              |       |
|             | 27%        | THE Alliance |       |
|             | 42%        | Ocean        |       |

| Far East    |            |              |       |
| Others      | 0%         |              |       |
| 2M          | 40%        |              |       |
|             | 24%        | THE Alliance |       |
|             | 36%        | Ocean        |       |

Source: Alphaliner Monthly Monitor (October 2018)

Note: Rounding differences may occur.
Despite increasing geopolitical risks, container shipping volume growth expectation remains on a healthy level…

Global Container Volume Growth & Real GDP Growth [%]

2000 = Indexed to 100

GDP multiplier 1.9x 1.0x 1.3x

Source: IHS (October 2018), IMF WEO (October 2018) 1) Average for the period.
...which, combined with the historically low orderbook, will lead to a further improving supply/demand balance in the years to come.
Financial Development
CFO Nicolás Burr
Opening Remarks

01 | Scale | Substantial volume and revenue growth

02 | Cost | Continuous reduction of unit costs

03 | Profitability | Consistently above industry average

04 | Balance Sheet | Strengthening through capital market measures
On the back of two mergers, Hapag-Lloyd was able to significantly increase transport volume and revenues

Volume and Revenue Development Q1 2014 – Q3 2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Transport Volume [TTEU]</th>
<th>Revenue [USDm]</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,399</td>
<td>1,774</td>
</tr>
<tr>
<td>2015</td>
<td>1,474</td>
<td>1,945</td>
</tr>
<tr>
<td>2016</td>
<td>1,560</td>
<td>2,124</td>
</tr>
<tr>
<td>2017</td>
<td>1,640</td>
<td>2,292</td>
</tr>
<tr>
<td>2018</td>
<td>1,776</td>
<td>2,620</td>
</tr>
</tbody>
</table>
We continuously reduced transport expenses ...

Unit cost development Q1 2014 – Q3 2018

- Hapag-Lloyd standalone
- HL + CSAV as of 2nd December 2014
- HL + UASC as of 24th May 2017

Synergies CSAV

Synergies UASC

- Unit cost [USD]
- Unit cost ex bunker [USD]

- 2014: 1,363
- 2015: 1,089
- 2016: 925
- 2017: 921
- 9M 2018: 926

- 2014: 1,057
- 2015: 929
- 2016: 825
- 2017: 785
- 9M 2018: 765

- Unit cost decrease: -7.3%
...and realised substantial improvements in every single cost category

Total cost per TEU development 2014 – 2018

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>[USD]</td>
<td>1,562</td>
<td>1,232</td>
<td>1,067</td>
<td>1,074</td>
<td>1,059</td>
</tr>
<tr>
<td>Raw Materials and Supplies</td>
<td>306</td>
<td>160</td>
<td>100</td>
<td>136</td>
<td>161</td>
</tr>
<tr>
<td>Cost of purchased services</td>
<td>1,057</td>
<td>929</td>
<td>825</td>
<td>785</td>
<td>765</td>
</tr>
<tr>
<td>Personnel</td>
<td>91</td>
<td>70</td>
<td>70</td>
<td>74</td>
<td>69</td>
</tr>
<tr>
<td>Depreciation</td>
<td>108</td>
<td>73</td>
<td>72</td>
<td>78</td>
<td>64</td>
</tr>
</tbody>
</table>

-47%
-28%
-30%
-36%
While bunker prices increased since 2016, freight rates have remained stable.

**Freight Rate vs. Bunker Price Q1 2014 – Q3 2018**

Note: For the financial year 2018, revenues for additional services in Latin America and Turkey were included in the calculation of freight rates. The previous year’s figures have not been adjusted.
Results improve consistently since Q2 2016 despite a challenging industry environment

EBITDA and EBIT Development Q1 2014 – Q3 2018

<table>
<thead>
<tr>
<th>Year/Quarter</th>
<th>EBITDA USDm</th>
<th>EBIT USDm</th>
<th>EBITDA Margin</th>
<th>EBIT Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 1Q14</td>
<td>4</td>
<td>34</td>
<td>-110</td>
<td>-5.5%</td>
</tr>
<tr>
<td>2014 2Q14</td>
<td>-29</td>
<td>196</td>
<td>-109</td>
<td>-5.5%</td>
</tr>
<tr>
<td>2014 3Q14</td>
<td>88</td>
<td>231</td>
<td>14%</td>
<td>4.1%</td>
</tr>
<tr>
<td>2014 4Q14</td>
<td>150</td>
<td>219</td>
<td>21%</td>
<td>4.1%</td>
</tr>
<tr>
<td>2015 1Q15</td>
<td>196</td>
<td>219</td>
<td>31%</td>
<td>4.1%</td>
</tr>
<tr>
<td>2015 2Q15</td>
<td>103</td>
<td>152</td>
<td>13%</td>
<td>4.1%</td>
</tr>
<tr>
<td>2015 3Q15</td>
<td>90</td>
<td>136</td>
<td>13%</td>
<td>4.1%</td>
</tr>
<tr>
<td>2015 4Q15</td>
<td>18</td>
<td>83</td>
<td>47%</td>
<td>7.9%</td>
</tr>
<tr>
<td>2016 1Q16</td>
<td>5</td>
<td>83</td>
<td>47%</td>
<td>7.9%</td>
</tr>
<tr>
<td>2016 2Q16</td>
<td>-50</td>
<td>73</td>
<td>27%</td>
<td>4.1%</td>
</tr>
<tr>
<td>2016 3Q16</td>
<td>8</td>
<td>111</td>
<td>27%</td>
<td>4.1%</td>
</tr>
<tr>
<td>2016 4Q16</td>
<td>92</td>
<td>202</td>
<td>-14%</td>
<td>-5.5%</td>
</tr>
<tr>
<td>2017 1Q17</td>
<td>144</td>
<td>253</td>
<td>20%</td>
<td>4.2%</td>
</tr>
<tr>
<td>2017 2Q17</td>
<td>8</td>
<td>202</td>
<td>4%</td>
<td>1.6%</td>
</tr>
<tr>
<td>2017 3Q17</td>
<td>92</td>
<td>167</td>
<td>27%</td>
<td>4.1%</td>
</tr>
<tr>
<td>2017 4Q17</td>
<td>66</td>
<td>247</td>
<td>21%</td>
<td>4.1%</td>
</tr>
<tr>
<td>2018 1Q18</td>
<td>41</td>
<td>270</td>
<td>20%</td>
<td>4.2%</td>
</tr>
<tr>
<td>2018 2Q18</td>
<td>41</td>
<td>245</td>
<td>20%</td>
<td>4.2%</td>
</tr>
<tr>
<td>2018 3Q18</td>
<td>252</td>
<td>457</td>
<td>-110</td>
<td>-5.5%</td>
</tr>
</tbody>
</table>
Hapag-Lloyd’s profitability has been consistently above industry average for the past 4 years

EBIT Margin Development Q1 2014 – Q3 2018

Note: Industry average only includes figures where available and does not claim to be complete
Our efforts to reduce costs become obvious when applying the 2009 freight rate and bunker price to our 2018 cost structure

2009 freight and bunker price impact on 2018 results (indicative)

<table>
<thead>
<tr>
<th>Market</th>
<th>2009</th>
<th>9M 2018</th>
<th>Indicative 2018¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freight rate (USD/TEU)</td>
<td>1,257</td>
<td>1,032</td>
<td>1,257</td>
</tr>
<tr>
<td>Bunker price (USD/mt)</td>
<td>331</td>
<td>406</td>
<td>331</td>
</tr>
</tbody>
</table>

Results

<table>
<thead>
<tr>
<th>Results</th>
<th>2009</th>
<th>9M 2018</th>
<th>Indicative 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA (USDm)</td>
<td>-407</td>
<td>972</td>
<td>~ 4,000</td>
</tr>
<tr>
<td>EAT (USDm)</td>
<td>-958</td>
<td>15</td>
<td>~ 2,700</td>
</tr>
</tbody>
</table>

¹ Figures based on LTM 9M 2018; simplified application: bunker price 2009 used to calculate raw materials and supplies only; other cost categories LTM 9M 2018 not adjusted

Key takeaways

- Results in 2009 show disappointing cost management
- The industry was aware of the need to reduce costs and has done so
- Hapag-Lloyd has put in a great effort and significantly reduced unit costs
- When applying the 2009 freight rate to our 2018 cost base, results would be substantially higher
We have also strengthened our equity base while at the same time optimizing our debt capital structure …

**Capital Market Projects**

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>CSAV</td>
</tr>
<tr>
<td></td>
<td>• Takeover container activities ~ USD 1.5 bn</td>
</tr>
<tr>
<td></td>
<td>• Subsequent capital increase USD ~ 0.5 bn</td>
</tr>
<tr>
<td>2015</td>
<td>IPO</td>
</tr>
<tr>
<td></td>
<td>• ~ USD 300 m</td>
</tr>
<tr>
<td>2017</td>
<td>UASC</td>
</tr>
<tr>
<td></td>
<td>• Contribution in kind ~ USD 1.4 bn</td>
</tr>
<tr>
<td></td>
<td>• Cash capital increase ~ USD 0.4 bn</td>
</tr>
</tbody>
</table>

**Bond Issuances**

- Issuance of **two new bonds** with a total value of EUR 900 m
- The proceeds were used to **proactively refinance** outstanding bonds due 2017, 2018 & 2019

1) Annual Result and FX effects  
2) Yield to maturity at issuance: 6.50% (weighted average: (6.75% x 250 + 6.186% x 200) / 450 – 6.50%)
...and reduced financing costs as well as improved the maturity structure of financial liabilities

Financial Debt Profile as at 30 September 2018

Contractual Repayment Profile as per 30 September 2018¹, [USDm]

1) As of January 2018 financial debt profile has been changed to the statement of repayment amounts. Deviation from the total financial debt as shown in the balance sheet as per 30.09.2018 consist of transaction costs and accrued interest
2) ABS programme prolonged until 2020
3) Estimates for operating lease liabilities to be recognized under IFRS 16 as from 1 January 2019 onwards; Based on annual and quarterly reports
Reduced CAPEX and substantial positive operating cash flow generation help to increase FCF and to deleverage the company.

**CAPEX 2014-2018 [USD m]**

<table>
<thead>
<tr>
<th>Year</th>
<th>Vessels</th>
<th>Containers</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>11</td>
<td>181</td>
<td>257</td>
</tr>
<tr>
<td>2015</td>
<td>449</td>
<td>542</td>
<td>925</td>
</tr>
<tr>
<td>2016</td>
<td>279</td>
<td>354</td>
<td>433</td>
</tr>
<tr>
<td>2017</td>
<td>521</td>
<td>209</td>
<td>65</td>
</tr>
<tr>
<td>9M 2018</td>
<td>263</td>
<td>196</td>
<td>11</td>
</tr>
</tbody>
</table>

**Cash flow 2014-2018 [USD m]**

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Cash Flow</th>
<th>Free Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>159</td>
<td>501</td>
</tr>
<tr>
<td>2015</td>
<td>-38</td>
<td>635</td>
</tr>
<tr>
<td>2016</td>
<td>109</td>
<td>461</td>
</tr>
<tr>
<td>2017</td>
<td>1,020</td>
<td>1,048</td>
</tr>
<tr>
<td>9M 2018</td>
<td>872</td>
<td>651</td>
</tr>
</tbody>
</table>
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]

<table>
<thead>
<tr>
<th>Year</th>
<th>Equity ratio</th>
<th>Gearing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>41.3%</td>
<td>72.1%</td>
</tr>
<tr>
<td>2015</td>
<td>45.5%</td>
<td>66.1%</td>
</tr>
<tr>
<td>2016</td>
<td>44.6%</td>
<td>71.0%</td>
</tr>
<tr>
<td>2017</td>
<td>40.9%</td>
<td>93.8%</td>
</tr>
<tr>
<td>9M 2018</td>
<td>41.0%</td>
<td>91.1%</td>
</tr>
</tbody>
</table>

### Net debt [USDm]

<table>
<thead>
<tr>
<th>Year</th>
<th>Net debt / EBITDA</th>
<th>Net debt</th>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>27.9x</td>
<td>3,653</td>
<td>4,518</td>
</tr>
<tr>
<td>2015</td>
<td>3.9x</td>
<td>3,631</td>
<td>4,256</td>
</tr>
<tr>
<td>2016</td>
<td>5.7x</td>
<td>3,793</td>
<td>4,415</td>
</tr>
<tr>
<td>2017</td>
<td>5.7x</td>
<td>7,595</td>
<td>6,812</td>
</tr>
<tr>
<td>9M 2018</td>
<td>4.8x</td>
<td>7,272</td>
<td>6,535</td>
</tr>
</tbody>
</table>

### Liquidity reserve [USDm]

<table>
<thead>
<tr>
<th>Year</th>
<th>Unused credit lines</th>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>256</td>
<td>865</td>
</tr>
<tr>
<td>2015</td>
<td>423</td>
<td>625</td>
</tr>
<tr>
<td>2016</td>
<td>822</td>
<td>622</td>
</tr>
<tr>
<td>2017</td>
<td>545</td>
<td>783</td>
</tr>
<tr>
<td>9M 2018</td>
<td>470</td>
<td>694</td>
</tr>
</tbody>
</table>

### Invested capital [USDm] & ROIC [%]

<table>
<thead>
<tr>
<th>Year</th>
<th>Invested capital</th>
<th>ROIC [%]</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>8.722</td>
<td>6.0%</td>
</tr>
<tr>
<td>2015</td>
<td>9.128</td>
<td>4.1%</td>
</tr>
<tr>
<td>2016</td>
<td>9.136</td>
<td>1.3%</td>
</tr>
<tr>
<td>2017</td>
<td>14.134</td>
<td>3.1%</td>
</tr>
<tr>
<td>9M 2018</td>
<td>13.749</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

---

1) Includes Restricted Cash booked as other assets
Our continuous efforts have been recognized by the capital markets

Share performance since 6 November 2015

Bonds trading

Source: Bloomberg (19 November 2018)
Wrap-up

Key takeaways

**Scale**
- Hapag-Lloyd **financials show clear positive development**
- Since 2014, Hapag-Lloyd has substantially grown **transport volume and revenue**
- At the same time, we were able to **significantly reduce our unit costs**

**Profitability**
- In a challenging market environment, we were able to **steadily increase our operational result**
- Hapag-Lloysds **profitability** has been consistently **above industry average**
- Profitability supported by **improved ownership structure and synergies**

**Financial policy**
- We have **strengthened our capital structure** and optimized our **maturity profile**
- At the same time we have **reduced our investments** to **maximize free cash flow**
- Therefore we were able to **clearly deleverage over time**
- And we managed to maintain an **adequate liquidity reserve**
Going forward, what do we assume?

**Market structure**
- Reasonable growth
- Reasonably rational capacity addition
- No further consolidation within Top 7 carriers
- Opportunities to de-commoditize

**External restrictions**
- Increasing legislative and societal pressure on environmental sustainability
- 3 alliances going forward

**Technology opportunities**
- Carriers build online channels to target smaller customers
- Automation opportunities for back-end processes
- Start-up companies remaining/entering logistics
In our industry marginal returns from further scale have diminished significantly.

- Hapag-Lloyd standalone
- HL + CSAV as of 2nd December 2014: -12%
- HL + UASC as of 24th May 2017:
  - -5%
  - -3%
  - -2% to -4%
- Twice-the-scale scenario

Unit cost ex bunker

- 2014
- 2015
- 2016
- 2017
- 9M 2018
Hapag-Lloyd has a number of clear strengths to build on:

<table>
<thead>
<tr>
<th>Strength</th>
<th>Image</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process quality</td>
<td><img src="image" alt="Process" /></td>
</tr>
<tr>
<td>Global blueprint</td>
<td></td>
</tr>
<tr>
<td>In-house IT data management</td>
<td><img src="image" alt="In-house IT" /></td>
</tr>
<tr>
<td>Strong brand Quality reputation</td>
<td><img src="image" alt="Strong brand" /></td>
</tr>
<tr>
<td>Global player with a relevant market share in all major trades</td>
<td><img src="image" alt="Global player" /></td>
</tr>
<tr>
<td>Balanced trade portfolio</td>
<td><img src="image" alt="Balanced trade" /></td>
</tr>
<tr>
<td>Strong global shareholder base Solid Balance Sheet</td>
<td><img src="image" alt="Strong global shareholder base" /></td>
</tr>
<tr>
<td>Pure play carrier</td>
<td><img src="image" alt="Pure play carrier" /></td>
</tr>
<tr>
<td>Young and large vessels</td>
<td><img src="image" alt="Young and large vessels" /></td>
</tr>
<tr>
<td>The best team from 4 lines Truly global culture</td>
<td><img src="image" alt="The best team" /></td>
</tr>
<tr>
<td>Operational execution excellence</td>
<td><img src="image" alt="Operational execution" /></td>
</tr>
</tbody>
</table>
Our Strategy 2023 has 3 overarching goals

- **Profitability**: Be profitable throughout the cycle
- **Number 1 for quality**: Deliver unparalleled quality, be customer-oriented, and create value for customers as well as capture value for Hapag-Lloyd
- **Global player**: Focus on customer segments willing to pay for value

Reinforce **strongholds**
Expand in key **growth markets**
Global **market share** (excluding Intra Asia) **greater than 10%**
Overview of core elements to achieve the goals of our Strategy 2023

- Continuous earn and keep the “right to play”
  - Continuous Cost Management
  - Revenue Management

- Mid and long-term differentiating strategy
  - No. 1 quality carrier
  - Environmental responsibility
  - Superior land side capabilities
  - Best-in-class Web Channel
  - Focus on selected attractive markets and segments
  - Opportunistic M&A

- Sustainable value creation

- Digitization & Automation

- Agile Organization
Continuously earn and keep the “right to play”
To enable our differentiation strategy, remaining cost competitive is a pre-requisite…

From vendor to partner

**Continuous Cost Management**

**Network**
- Fix unprofitable services / feeders
- Improve vessel & fleet composition
- Optimize transshipment flows

**Container Steering**
- Improve cargo steering
- Container substitution

**Collaboration**
- Partnerships with key players along the value chain

**Terminal Partnering**
- Increase quality
- Optimize port-stay
- Win-wins in tighter partnerships

**Procurement**
- Further build global procurement
- Vendor management
...and we launched a cost management program, structured in 5 modules with a savings run-rate of USD 350-400 million\(^1\) by 2021

1) Compared to a FY 2017 cost base (incl. UASC business for 12 months) Subject to further evaluation and specification in 2019/20
Many of the initiatives are currently already in the implementation phase, with more to come

- **Network**
  - Example: Transshipment
  - Advanced analytics tool developed
  - Optimize share of transshipment and direct cargo
  - Optimization of all shipsystems

- **Container Steering**
  - Managing surplus / demand
  - Reduce empty moves
  - Advanced analytics further enhanced
  - Avoid container type imbalances through substitution
  - Direct moves between customers to avoid depots

- **Collaboration**
  - Example: Feeder network ONE
  - Enhanced and jointly operated Feeder network
  - Shift volumes from 3rd-party feeder to own services
  - Review and expand collaboration opportunities

- **Terminal Partnering**
  - Partnering approach
  - Timely exchange of information
  - Reduced waiting time
  - Improved productivity
  - Early departure
Revenue Management Excellence is based on Product, Pricing and Uptake Management

Decision on Product/Contract
- Clearly defined products
- Improved contract adherence
- Reduced revenue leakage

Decision on Pricing
- Analytics-based decision support for dynamic pricing
- Data-driven tender pricing

Decision on Booking Uptake
- Better forecasting capabilities
- Automated acceptance decisions
To achieve our vision, we will transform Hapag-Lloyd’s Pricing & Revenue Management in three phases…

Strengthen the basics

Foundations of new Revenue Management

Advanced Revenue Management excellence


Dedicated change management along the journey
…which we started in 2018 with the “Contribution Boost”

**Strengthening the basics: Contribution Boost**

- Focus on 10 **short-term initiatives** with no major system changes
- **Improve cargo mix** steering and reduce revenue leakages
- **Replacing least contributing cargo**
- Ensure collection of **Demurrage & Detention & local revenue**
- Develop new **Marine Fuel Recovery** mechanism and implement same by the beginning of 2019

**Examples: Reduction of low contributing business**

- AT WB: -63%
- LA-E NB: -34%
- FE WB: -46%

Examples: Reduction of low contributing business
Mid- & long-term differentiating strategy
Our strategy is based on our unique strengths and true differentiation through six strategic pillars

I. No. 1 quality carrier
   - Rationale: Proven willingness to pay for quality in the market

II. Superior land side capabilities
   - Rationale: Inland is a differentiator and can offer contribution beyond port-port

III. Focus on selected attractive markets and segments
   - Rationale: Shifting market growth to emerging and niche markets

IV. Environmental responsibility
   - Rationale: Changing environmental regulation and a good asset base

V. Best-in-class Web Channel
   - Rationale: Serve smaller customers by building the best customer front-end using our strong IT backbone

VI. Opportunistic M&A
   - Rationale: Seize opportunities that support HL’s strategic goals
Market research reveals that PROVEN and CONSISTENT quality matters to more than half the market…

“Price seekers”
Mainly cost-driven selection

"Value seekers"
Quality driven selection

"Service seekers"

<table>
<thead>
<tr>
<th>Market research participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;50%</td>
</tr>
<tr>
<td>&gt;50%</td>
</tr>
</tbody>
</table>

Source: Market research, December 2017

01 | Capture willingness to pay from existing customers by delivering the required quality levels
02 | Optimize customer mix by leveraging willingness to award more business from existing quality customers
03 | Further optimize customer mix by gaining new customers in target segments to reach market customer mix
...and we will deliver a clearly articulated core product to all customers and more for value and quality seekers.

**Premium Product**

- **Diversified**
  - to target specific customer needs not addressed by base product

- **Improved**
  - service levels for customers who value premium service level, as clearly differentiated products with price premium

**Base Product**

- **Consistent** across customers of all size, contract type, and industry
- **Clearly articulated** through quality promises
- **Transparent** with measured and communicated performance levels
- **Calibrated** "slightly above market average"
We have defined our future Quality Commitments – which will be an essential part of the “handshake” with our customers...

- Responsive service
- Timely and accurate documentation
- Booked and loaded as agreed
- Reliable transport
- Quick issue resolution

- Commitment to volume and bookings
- Provision of accurate information on time
- Payment as agreed
...and we have already taken the first steps on what we know is a multi-year journey to differentiate on quality…

This will require us to reach deep down into our organizational structure and operational “engine room”, building on our proven track record of executing large scale projects.

We have already started mobilizing the organization to truly deliver on our initiatives, and have the ability to systematically monitor progress and development and adjust course as necessary.

More to come…

- Premium product development
  - Continuously launch premium products
  - More product additions

- Web Channel

- Partnering
  - Enhance product and new partnerships

- Procurement and supplier management
  - First pilot in Benelux successfully completed
...and some of it is already in place today

Some examples of segments where customers are willing to pay for value

- **Web Channel**
  - Instant quotes
  - Immediate booking
  - Direct confirmation

- **Cherry Express**
  - Fast transit times
  - Direct port calls
  - Special care

- **Dangerous Goods**
  - Safety
  - High quality documentation
  - Highly skilled and experienced staff
Hapag-Lloyd intends to offer more end-to-end business, as we believe this can be beneficial for all parties.

- Higher **profitability** by capturing some **value pools** and feed more contributing cargo onto our ships
- Increased **differentiation** through better E2E service
- Improved control over equipment flows and better steering of the imbalances
- Improved cost through integrated procurement and reduction of 1-way trips
We will expand our position in attractive niche segments, reinforce our strongholds and further build growth markets.

**Attractive markets**

**Niche segments**

- **Reefer**
  - High market growth
  - Customers are prepared to pay for high quality & value

- **Special Cargo**
  - The market offers untapped opportunities
  - Ambition is to "scale beyond Europe"

- **Dangerous Goods**
  - One of the historical strength of Hapag-Lloyd
  - High quality service is already valued by customers

- **Growth** in container shipping increasingly shifts towards emerging markets
- **Well positioned** regarding our strongholds
Sustainable value creation
Creating Shareholder Value through Strategy 2023

To recap, we have described the 3 goals of our Strategy 2023:

- **Number 1 for quality**
- **Global player**
- **Profitability**

...and in financial terms our objectives are to:

01 | Return more than our cost of capital
02 | Deliver on our Financial and Non-Financial Targets
## Financial Targets to be achieved until 2023

<table>
<thead>
<tr>
<th>Category</th>
<th>Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profitability</strong></td>
<td>ROIC (throughout the cycle)</td>
<td>&gt; WACC</td>
</tr>
<tr>
<td></td>
<td>[This implies an EBITDA-margin of ~ 12%]</td>
<td></td>
</tr>
<tr>
<td><strong>Deleveraging</strong></td>
<td>Net Debt / EBITDA</td>
<td>≤ 3.0x</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>Equity ratio</td>
<td>&gt; 45%</td>
</tr>
<tr>
<td><strong>Liquidity</strong></td>
<td>Adequate liquidity reserve of</td>
<td>~ USD 1.1 bn</td>
</tr>
</tbody>
</table>

Note: All KPI's subject to IFRS 16 adjustments – adjusted KPI's will be communicated accordingly.
## Non-Financial Targets to be achieved until 2023

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quality</strong></td>
<td>Achieve best in class Net Promoter Score (NPS)</td>
</tr>
<tr>
<td></td>
<td>Measure and improve On Time Delivery</td>
</tr>
<tr>
<td><strong>Superior landside</strong></td>
<td>Increase share of door-to-door business to over 40% of total by 2023</td>
</tr>
<tr>
<td><strong>Attractive Markets</strong></td>
<td>Grow volume in selected attractive markets and achieve a market share of ~10% (excl. Intra Asia) in reefer market by 2023</td>
</tr>
<tr>
<td><strong>Environmental</strong></td>
<td>Comply with or exceed all IMO environmental regulations</td>
</tr>
<tr>
<td><strong>Web Channel</strong></td>
<td>Grow volume booked via Web Channel to 15% by 2023</td>
</tr>
</tbody>
</table>
Wrap-up

Key takeaways

Industry
- Marginal returns from further scale have diminished significantly
- We believe that the industry is at an inflection point and the future is about differentiation

Strategy 2023
- Hapag-Lloyd has a strong starting position to take the next step to become the number one for quality
- Customers are willing to pay for quality and value
- We have set up a robust strategy that differs from what others do

Strategy implementation
- We are convinced to succeed as we have proven repeatedly that we are able to implement the measures necessary to reach our self-imposed targets
- We looked at multiple scenarios and have a clear approach for all kind of defaults
- To ensure a successful implementation we will follow a set of clear principles
Agile Organization –
Ongoing organizational improvements to implement Strategy 2023
CPO Joachim Schlotfeldt
Hapag-Lloyd became a truly global company over the last couple of years…

The "new Hapag-Lloyd"...

... is younger in age...

- [Average age]
  - Pre-CSAV: 39.1
  - Pre-UASC: 39.2
  - Post-UASC: 38.4

... and is more international

- [Nationalities employed]
  - Pre-CSAV: 76
  - Pre-UASC: 78
  - Post-UASC: 90

Hapag-Lloyd in numbers:

- ~12,600 employees
- 127 countries
- 394 locations*

* Thereof 191 own offices and 203 agents
...and it’s organization is in a strong starting position to master future challenges

**Capabilities**
- Strong and recognized IT & process quality

**Execution excellence**
- Ability to **successfully manage large-scale projects**, e.g. CSAV and UASC integration

**Sales and customer service**
- **Global** Sales and Customer Service network
- Good brand perception with **accessible and knowledgeable sales/CS staff**

**Global player**
- **Global footprint** and strong home turfs (Germany, Italy, Canada, South America, Middle East)

**People & culture**
- Loyal, committed, and qualified **workforce** that is open to change
- **Value-driven** and principled organization
But to be able to execute Strategy 2023 successfully we need to modernize our organization and improve agility…

Introduction to Agile Organization

Our goal:
Increase the agility of the organization

- Faster decision making
- Continually learn and improve
- Develop projects flexibly
- Deal with risks earlier
- Partner easily with other players

Steps of the organizational transformation

Core Processes
Improve core processes, optimize / simplify organization

Quality Service Centers
Improve consistency and quality of service

Automation
Drive automation of standardized processes
...which requires streamlined processes, better tools and a focus on core business functions

Core Processes

- **Business Admin Excellence:**
  - Streamline **planning and steering** processes

- **Voyage Control:**
  - Increase **schedule reliability**

- **Cargo Control:**
  - Improve **quality of allocation management and ship planning**

**Approach**

- Optimize and simplify processes
- Introduce additional and better tools
Establishing Quality Service Centers will increase consistency and quality...

1. Improve the **consistency** and **quality** of the **service** provided by Hapag-Lloyd in Areas
2. Make **continuous improvement** of **processes** easier
3. Make **process** and **system** roll-outs / updates much **faster and more reliable**

- **Regional centralization** of certain functions of:
  - Customer Service
  - Operations
  - Business Administration

- Build on extensive experience with bundling of non-customer facing processes in Global Service Centers in Mumbai, Chennai and Shanghai
- Quality Service Centers (QSC) already established in **Atlanta** and **Suzhou**
- Set up QSC in further Regions, e.g. Region Middle East (**Mumbai**)

[Image]

...while automation will allow staff to focus on tasks with higher value-added

- **Robotics**
- **Natural language generation**
- **Cognitive agents**
- **Machine learning**

- Focus staff on **value-adding** functions
- Increase **quality** and **speed of work**, reduce **errors**
- Support **further volume growth** of HL
- **Build on** automation already in place due to **strong operating backbone** and process structure
Our organization will look substantially different in 2023 with more analytically driven roles and reduced data entry & processing roles

Resource shifts

- Additional staff to cover volume growth
- Regular productivity gains
- Long-term automation ambition
- Additional staff to support strategy, e.g. niche specialists, revenue analytics specialists, etc.

Starting point

Steady-state
Continuously earn and keep the “right to play” – Procurement Focus
CPO Joachim Schlotfeldt
We will significantly strengthen our procurement and supplier management capabilities and competence

- Objective is to **raise service levels and reduce cost** – i.e., **improve value for money**, not just drive down cost
- Impact on **all levels of the organization**: central, regional, and local
- **Build up partnerships** with our key suppliers

- **Transport+ initiative to reduce transport spend**
- **Bunker procurement**
- **Corporate procurement**
- **Terminal procurement**
Procurement excellence program in transport aims at capturing the full potential by reducing costs and increasing service levels.

**Standard procurement methods**
- Apply standard procurement tools
- Establish standards across Hapag-Lloyd

**Individual levers**
- Develop market specific levers on Area level

**Focused enablement to ensure savings capture**
- Ensure successful implementation

**Significant cost reduction**
- Efficient processes
- Continuous communication
- Increased transparency

„From Vendor to Partner“

Better quality
The procurement program will initially focus on transport spend and additional locally sourced spend categories...

Key takeaways

- Transport spend fully in scope
- Further increase due to general cost inflation cannot be ruled out
- Additional locally sourced cost categories to be addressed
- 13 lighthouse projects across all regions already in implementation

1) Also covering terminal spend

[Bar chart showing container transport costs for Rail, Truck, Barge/Feeder, and Other categories for LTM 9M 2018.]
...and the first results illustrate that this ambition is feasible and realistic

First pilot in Area Benelux completed with positive results

| ✓ Cost savings of mid single digit USD million as well as process and quality improvements |
| ✓ Partnership discussions held with trucking and barge vendors |
| ✓ Optimised modal mix |

Next steps

- Europe-wide rail tender
- Currently addressing Germany, Central Europe and Indo-China
- Thereafter broad-scale rollout in all Areas in 2019
Wrap-up

Key takeaways

Strong backbone
- Hapag-Lloyd became a truly global company over the last couple of years…
- …and can build on acknowledged core competencies

Become an agile organization
- To adapt faster than competition to changing business environment and to adapt successfully Strategy 2023 we need to further modernize our organization and increase agility
- Several initiatives have already been implemented

Develop enhanced procurement capabilities
- With the enlarged organization and changing market environment also Procurement needs to change
- We will significantly strengthen our procurement and supplier management capabilities and competence
Environmental Responsibility – IMO 2020: Tackling regulatory challenges

COO Anthony Firmin
Regulatory challenges have always played a role in shipping

Hapag-Lloyd has successfully adopted new regulations throughout its history.

- 24-hour rule
- SOX max 3.5%
- Ballast water
- Shiprecycling
- Tier 3
- ISPS
- IMO2020
- ...
As of 2020, all ships will be required to use fuel with 0.5% sulphur content or less on all the world’s oceans

IMO 2020 Sulphur Regulation

<table>
<thead>
<tr>
<th>Fuel type</th>
<th>Today</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>HSFO 3.5%</td>
<td>✓ Worldwide (excl. ECAs)</td>
<td>✗ Only with scrubbers²</td>
</tr>
<tr>
<td>LSFO 0.5%</td>
<td>No large scale use</td>
<td>✓ Worldwide (excl. ECAs)</td>
</tr>
<tr>
<td>MDO 0.1%</td>
<td>ECAs³ + EU Ports</td>
<td>ECAs³ + EU Ports + New ECAs China</td>
</tr>
</tbody>
</table>

Bunker fuel Sulphur limit

% Sulphur (by weight)

- Emission control areas (ECAs³: Europe and North America) with move to 0.1% Sulphur levels in 2015
- All international bunkers outside ECAs³ scheduled to move to 0.5% Sulphur on Jan 1 2020

1. Marine Diesel Oil (0.1% sulphur)  
2. Possible use of scrubber for Sox post-treatment  
There are three options to comply with IMO2020 but Low Sulphur Fuel Oil will be the key solution in the short term

Options for ensuring compliance

1. Liquefied natural gas (LNG)
2. Exhaust gas cleaning systems
3. Compliant fuels

Estimated containership fleet as at 2020E

More than 90% of the container world fleet will run on compliant fuels
Liquefied Natural Gas (LNG)

Hapag-Lloyd believes LNG could be the mid-term fuel solution for the shipping industry

- Regulatory certainty
- Lower emissions
- Future availability
- High capex
- Bunkering network not yet in place
- Availability in ports not yet sufficient
- Estimated cost for conversion and additional cost for new builds: USD 25 – 30 million per ship
- Attractive payback

17 vessels LNG ready

Refitting one 15k class vessel
Further refittings possible
Lower sulphur content and CO2
Mid-term solution

Hapag-Lloyd’s position

1) approx. 18% of current total capacity
Exhaust Gas Cleaning Systems (EGCS)

The use of EGCS is economically attractive as a short- to mid-term solution

- Lower capex than LNG
- No issues with fuel (HSFO 3.5%)
- Economically attractive
- Proven base technology
- Estimated cost for conversion: USD 7 – 10 million per ship
- Attractive payback

Hapag-Lloyd’s position

- Higher CO2 and water pollution
- Further refittings subject to pilot
- 10 retrofits planned for 2019/2020
- Retrofits for 13k TEU vessel class
- Short-/mid-term solution

- Increased fuel consumption and higher CO2 emissions
- Direct discharge of scrubber water into the ocean
- No long-term solution

Hapag-Lloyd’s position
Compliant Fuels

Compliant fuels are the key solution for ensuring compliance from 2020 onwards

**Hapag-Lloyd’s position**

- **Key solution going into 2020**
  - ~90% of ships in industry
  - Major refittings not before 2020
  - Low sulphur emissions

**Compliant Fuels**

+ No capex
+ Currently most **environmentally friendly** solution
+ Confirmed **availability**

- High price
- Higher **opex**
- Possible **compatibility problems**

- No downtime or cost for **conversion**
- Additional cost of **USD ~1bn annually** due to **higher price**
The IMO2020 regulation will make the industry greener but it will come with a price

Costs will go up as both compliant fuels and investments into new technologies will be expensive

On the assumption that the spread between high-sulphur fuel oil (HSFO) and low-sulphur fuel oil (LSFO 0.5%) will be ~250 US dollars per tonne by 2020, Hapag-Lloyd faces additional costs of around 1 billion US dollars annually.
To recover fuel related costs caused by the IMO2020, Hapag-Lloyd has developed a Marine Fuel Recovery (MFR) mechanism

- Marine Fuel Recovery Mechanism will be gradually implemented from beginning of 2019 – all customers will take part in this change
- Hapag-Lloyd will replace all existing fuel charges with a new MFR mechanism

\[
\text{MFR} \text{ [per TEU]} = \text{Fuel price} \text{ [per TO]} \times \frac{\text{Fuel consumption}}{\text{Carried TEU}}
\]
The new MFR mechanism is logical, transparent and easy to understand

MFR creates transparency and is based on market data and averages for market class vessels

- Helps our customers **predict and plan** price development
- **Customer feedback** on the MFR has been largely positive

- The MFR is based on **market data** (fuel consumption, fuel price and carried TEU) and derived from **averages for Market Class Vessels**

- Unique approach also considering price difference between **0.1% and 0.5% Low Sulphur Fuel**
- **Dominant and non-dominant legs** are treated in the same way
Governance is crucial – Hapag-Lloyd welcomes the Carriage Ban

A robust enforcement regime is necessary for ensuring a level playing field

The IMO itself has **no authority** for governance

Each Flag and port state responsible for enforcing the regulation with sanctions and fines

**Carriage Ban** as of March 1, 2020

IMO bans vessels that carry **HSFO** when not equipped with scrubbers

**Strict control in ports** is extremely important
Will the new regulation affect the supply / demand balance in liner shipping?

Disadvantage of inefficient vessels will become more apparent as older vessels need to use more expensive fuels.

- Might lead to increased scrapping of older, less efficient vessels...
- …which would further improve supply / demand balance
Wrap-up

Key takeaways

**Regulation 2020**
- IMO 2020 will effect the **industry as a whole**
- **Three options** are available to achieve compliance (**LNG, EGCS, Compliant Fuels**)
- **Majority** of containerships will run on compliant fuel as of 2020

**Hapag-Lloyd approach**
- Hapag-Lloyd embraces new **regulation** as industry is becoming greener
- We will test **LNG and** install **EGCS** in 2019 / 2020
- **Compliant fuel** most relevant solution in the short-term

**Going forward**
- **MFR mechanism** in place to tackle higher bunker costs
- Positive results of refitting and pilots will lead to **further installation of EGCS and LNG**
- IMO envisions significant emission reduction by **2050**
Digital Transformation
CEO Rolf Habben Jansen
Hapag-Lloyd’s journey to digitization started in the early 90’s.

- **1990**: System standardization & integration for core processes
- **1993**: Enhanced biz steering through BI
- **2000**: Advanced functions and process coverage, EDI-connectivity, automation, system architecture
- **2010**: Integration CSAV & UASC
- **2018**: Advanced forecasting & optimization
- **Today**: Process Excellence, Ease of doing biz with, new architecture

**„Electrification“**

- System standardization & integration for core processes
- Enhanced biz steering through BI
- Advanced functions and process coverage, EDI-connectivity, automation, system architecture
- Integration CSAV & UASC
- Advanced forecasting & optimization
- Process Excellence
- Ease of doing biz with, new architecture
Hapag-Lloyd’s existing IT is the basis for our digitization efforts…

Integration → Single Version of Truth

High Degree of Automation, i.e. Quality and Efficiency

Connectivity EDI/API/Web/Mobile

Analytics to manage global networks

Excellent starting point to continuously enhance Hapag-Lloyd’s service products and quality by leveraging digital technologies
…which can only be successful if there is close alignment between Business and IT

Tech Watch Unit
- Track >200 start-ups
- Discussions with >50
- Partnerships with ~10

Integrated management of digital development programme
- Commercial, Operations, BA, IT, Board
- Agile project pipeline management
- Disciplined project execution – on time, on budget

~ 100 IT projects p.a.
- Process excellence
- Automation
- Collaboration

Digital Channel & e-Biz Unit
- Hapag-Lloyd online channel
- Portal partnerships
- Agile product development

HL IT
Biz-IT Alignment
Digital Excellence
Hapag-Lloyd is actively monitoring digital developments and partnering with leading-edge companies…

We are closely monitoring developments. Where sufficiently interesting we start discussions, leading to pilots, and eventually to partnerships.

**Objective**
- To build on our strong operating backbone and IT competence to differentiate from the competition
- Become an increasingly agile and customer-responsive organization

**TechWatch**
- Forecasting of empty container demand, network analysis and yield management

**Artificial Intelligence, Machine Learning**
- Participating in three consortia to evaluate different opportunities to exploit blockchain technology.
- In parallel preparation of technical setup

**Blockchain**
- Already very active with Web Channel, FIS Macros, Container Steering, Auto Booking Confirmation, Auto Shipping Instruction and a steadily increasing number of simple process robots
...as we know that technological innovations help to create new and better customer solutions...

While the basic customer needs have not changed much, customers today expect to conduct their business with the comfort of modern technology:

- Mobile applications
- Transparency
- Fast response

There are plenty of opportunities for carriers to differentiate, also with regard to digitization:

- Customer service
- Physical services
- Contractual commitments
- Digital services

Digitization enables us to interact more directly with customers (and suppliers)
...and to accelerate this we set up the Digital Channel Incubation Unit (DCIU)...

Hapag-Lloyd’s new Digital Channel Incubation Unit (DCIU) drives digitization within the company

Working with continuous real-time market & customer research, product development, marketing and IT together as one team

By empowering digital transformation, we provide customer solutions to unleash the potential of the future of logistics
...who in a joint effort with IT & Business launched *Quick Quotes* in 2018...

- **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-Lloyd's extensive **global network**
...which in 10 months has grown to around 6% of global Hapag-Lloyd volume – a business of over USD 0.5 bn annualized revenue!

Quick Quotes volume development

1 Start of Shipment based  2 Quotations: Successful customer requests based on creation date (excl. 2nd quotes)
Data as of: November 5th, 2018
## Wrap-up

### Key takeaways

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<thead>
<tr>
<th>Single operating system</th>
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<tbody>
<tr>
<td>▪ Hapag-Lloyd has always been at the <strong>forefront</strong> of IT developments</td>
<td>▪ Our global <strong>single operating system</strong> is an industry acclaimed <strong>competitive advantage</strong>…</td>
<td>▪ …and a <strong>strong basis</strong> for further digital development</td>
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<th>Digitization focus &amp; customer solutions</th>
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<tr>
<td>▪ Providing <strong>customer solutions</strong> by driving digital transformation</td>
<td>▪ New focus on <strong>collaboration</strong> and <strong>customer centricity</strong></td>
<td>▪ Digital Channel Incubation Unit (DCIU) <strong>drives digitization</strong> within the company…</td>
<td>▪ …and develops <strong>new digital products</strong> in an agile way</td>
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<th>New products, features and enhancements</th>
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<td>▪ We <strong>kicked off</strong> a number of potentially interesting <strong>collaboration efforts</strong></td>
<td>▪ <strong>Web Channel</strong> has so far been a huge <strong>success</strong></td>
<td>▪ <strong>Further digitization</strong> products and features are <strong>in the pipeline</strong></td>
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Number One for Quality!

- Actively drive change by building on our capabilities
- Continually earn and keep our right to play
- Deliver unparalleled quality
- Become a more agile organization
- Deal with regulatory changes in an environmentally friendly manner
- Create new and better customer solutions through digitization
- Systematically monitor progress and development