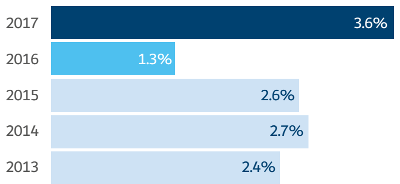
MARKET REVIEW

Leading the industry through innovation

2017 saw strong container volume growth – the highest level since 2011 – as global trade recovered.

Major global economic indicators continued at high levels, signalling that the ongoing global economic recovery remained intact. Emerging markets saw improvements on the back of more stable commodity prices. This drove more robust global demand, leading to merchandise trade volumes more than doubling from the previous year to an estimated 3.6%[1].

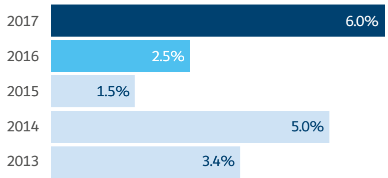
MERCHANDISE TRADE VOLUME



3.6%

Following on from a challenging year in 2016, initial container growth forecasts of between 2-3% at the beginning of 2017 gave way to rapidly increasing estimates, with full year 2017 growth of 6%[2]

WORLD PORT HANDLING GROWTH



6%

The positive demand development led to a more positive rate environment in the first half of the year and whilst freight rates saw a downward development in the latter part of the year, container carriers returned to profitability during 2017. A full recovery is still not certain, however, as liner operators will continue to add capacity on all trade lanes to absorb newly delivered vessels. In 2017, a total of almost 1.2 million TEU together with the reactivation of idle vessels contributed towards effective capacity growth of 10%.

During 2018, 1.5 million TEU of new capacity is expected to be delivered, most of it in the ultra large 13,300+ TEU segment, which may continue to put downward pressure on freight rates.

2017 Development

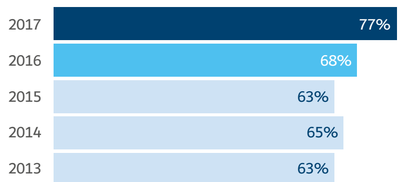
Liner consolidation and new alliance networks continued to reshape the industry.

Hapag Lloyd completed its merger with UASC, Maersk received approval from competition authorities for its Hamburg Süd acquisition – albeit with restrictions – and the recently enlarged COSCO is reporting to be finalising the purchase of OOCL.

This has been driving industry concentration to an all-time high. The top 10 carriers made up 77%[3] of vessel capacity at the end of the year, which will increase to 82% once COSCO absorbs OOCL and the three Japanese container lines start operations as a combined entity, ONE, in April 2018.

The restrictions set by a number of competition authorities in relation to the Maersk-Hamburg Süd acquisition could limit further large scale acquisitions but some of the remaining niche and mid-size players could become targets to be absorbed in the medium term, resulting in an industry dominated by less than 10 global carriers.

TOP 10 CARRIER MARKET SHARE EVOLUTIOIN



77.4%

1 Merchandise Trade Volumes: WTO, volume of World Merchandise trade, annual % change, 2017 projection.
2 World Port Handling Growth: Drewry estimated Port Handling % change
3 Market Share Evolution: Alphaliner estimated Top 30 Carrier ranking and Total Liner Capacity

The newly formed Ocean Alliance and THE Alliance started operations in April 2017, alongside already active 2M+HMM. These three alliances control more than 90% of the east-west trade lane capacity. Going from four to three alliance networks reduced service offerings and port calls, whilst increasing complexity. Fewer port calls with larger box exchanges have intensified the competition between operators.

Demand rebounds on all trade lanes.

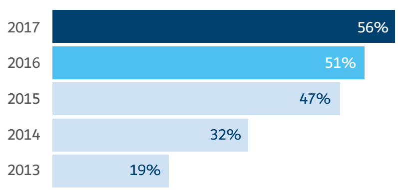
The strong demand recovery during the year was unexpected following tepid growth during the past two years. All regions saw improvements, with China, South Asia, North America and Central and South America benefiting the most.

Our diverse geographic portfolio was positively impacted by the strong demand development. This trend is set to continue in 2018 and we expect that our 70% exposure to origin and destination cargo and approximately 75% exposure to faster growing markets will enable us to continue to deliver enhanced shareholder value over the long term.

Vessel orders resume and hit a new size record – the Megamax 24.

The container fleet reached the 21 million TEU mark in November 2017 as 158 vessels amounting to almost 1.2 million TEU were delivered during the year, with the 13,300+ TEU category making up 56%[4] of delivered capacity.

13,300+ TEU VESSELS DELIVERY



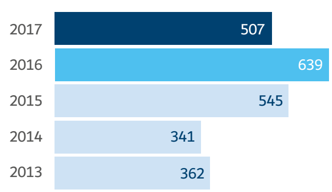
55.6%

CMA CGM and MSC returned to the shipyards in September 2017, ending a 21 month low in vessel order activity. The new units are record breaking at 22,000+ TEU and even coined a new classification term – Megamax 24. While more or less retaining the overall length of current ultra large units, the next generation of Megamax vessels will be one row wider, accommodating 24 container bays at a breadth of 24 deck rows, a height of 24 container tiers (twelve in holds and up to twelve on deck), and a nominal intake of more than 23,000 TEU.

Once delivered in 2019-2020, the vessels are expected to be deployed on the Far East-North Europe route, where our terminal facilities are capable of accommodating these behemoths.

Our continued operational excellence and capacity investments to handle these larger vessels and increased cargo exchanges ensures we are one of the leading port operators in the regions we serve. In 2017 we have invested $507 million in our flagship Jebel Ali facility to add further deep-water capabilities in a growing market.

INVESTMENT IN JEBEL ALI
(USD million)



$507 million

4 13,300+ TEU Vessel Delivery: Alphaliner estimated Delivery Breakdown by Size Range – Proportion of total fleet