Q3 | 9M 2019

Hapag-Lloyd AG

Investor Report

1 January to
30 September 2019

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES

		Q3 2019	Q3 2018	9M 2019	9M 2018	Change
Key operating figures						
Total vessels, of which		231	222	231	222	4%
Own vessels [1]		112	112	112	112	–
Chartered vessels		119	110	119	110	8%
Aggregate capacity of vessels	TTEU	1,670	1,596	1,670	1,596	5%
Aggregate container capacity	TTEU	2,556	2,553	2,556	2,553	–
Bunker price (MFO, average for the period) [2]	USD/t	401	432	409	392	4%
Bunker price (MDO, average for the period) [3]	USD/t	594	643	602	599	–
Bunker price (combined MFO/MDO, average for the period)	USD/t	416	446	425	406	5%
Freight rate (average for the period)	USD/TEU	1,084	1,055	1,075	1,032	4%
Transport volume	TTEU	3,045	3,052	9,011	8,900	1%
Revenue	million USD	3,608	3,565	10,654	10,141	5%
Transport expenses	million USD	–2,737	–2,900	–8,187	–8,417	–3%
EBITDA	million USD	617	453	1,697	970	75%
EBIT	million USD	282	248	722	357	102%
Group profit/loss	million USD	168	137	333	15	n. m.
Cash flow from operating activities	million USD	727	374	1,727	872	98%
Investment in property, plant and equipment [4]	million USD	289	127	867	260	n. m.
Key return figures						
EBITDA margin (EBITDA/revenue)	%	17.1	12.7	15.9	9.6	6.4 ppt
EBIT margin (EBIT/revenue)	%	7.8	6.9	6.8	3.5	3.3 ppt
Key balance sheet figures as at 30 September [5]						
Balance sheet total	million USD	18,234	17,522	18,234	17,522	4%
Equity	million USD	7,332	7,168	7,332	7,168	2%
Equity ratio (equity/balance sheet total)	%	40.2	40.9	40.2	40.9	–0.7 ppt
Borrowed capital	million USD	10,902	10,354	10,902	10,354	5%
Key financial figures as at 30 September [5]						
Financial debt	million USD	7,379	6,891	7,379	6,891	7%
Cash and cash equivalents	million USD	635	752	635	752	–16%
Net debt (financial debt – cash and cash equivalents) [6]	million USD	6,744	6,131	6,744	6,131	10%
Gearing (net debt/equity)	%	92.0	85.5	92.0	85.5	6.4 ppt
Liquidity reserve	million USD	1,200	1,297	1,200	1,297	–8%
Number of employees as at 30 September [5]						
Employees at sea		2,198	2,088	2,198	2,088	5%
Employees on land		10,755	10,573	10,755	10,573	2%
Hapag-Lloyd total		12,953	12,661	12,953	12,661	2%

In individual cases, rounding differences may occur in the tables and charts of this investor report for computational reasons.

Note: Due to the first-time application of IFRS 16 “Leases” as at 1 January 2019, the presentation of the group earnings, financial and net asset positions is only comparable with that of the corresponding prior year period to a limited degree. Unless stated otherwise, the figures for the first 9 months of 2018 refer to the provisions for leases pursuant to IAS 17.

1 Including 17 lease agreements with purchase option/obligation at maturity. Previous year’s figures have been adjusted accordingly

2 MFO = Marine Fuel Oil

3 MDO = Marine Diesel Oil

4 As of 2019, investments in property, plant and equipment include additions to the Rights of Use according to IFRS 16

5 The comparison refers to the balance sheet date 31 December 2018

6 Including restricted cash booked as other assets: USD 7.4 million as of 31 December 2018, none as per 30 September 2019

This report intends to focus on the presentation of the main financial highlights and calculated USD figures of the reporting period. It makes no claim to completeness and does not deal with all aspects and details regarding Hapag-Lloyd. For the full quarterly financial report, please visit our website: https://www.hapag-lloyd.com/en/ir/publications/financial-report.html

MAIN DEVELOPMENTS IN 9M 2019

- Transport volume rises by 1.2% in the first 9 months of 2019 compared with the previous year
- Positive freight rate development: The freight rate is USD 1,075 / TEU, which is 4.2% higher than in the previous year (9M 2018: USD 1,032 / TEU)
- As mall rise in average bunker consumption prices[1] of USD 19 to USD 425 per tonne (9M 2018: USD 406 per tonne) leads to an increase in fuel expenses of 4.0%
- Transport expenses decrease by 2.7% compared with the previous year, partially explained by the first-time application of IFRS 16. Volume and price-related increases in charter costs have the opposite effect, similar to a rise in the bunker consumption price
- Clearly positive EBITDA of USD 1,697.2 million in the first 9 months of 2019 (9M 2018: USD 970.3 million). This includes a positive effect from the first-time application of IFRS 16 in the amount of approximately USD 383.4 million. EBITDA margin of 15.9% in the first 9 months of 2019 (9M 2018: 9.6%)
- The first-time application of IFRS 16 increases depreciation and amortisation in the first 9 months of the year by 59.1% to USD 975.0 million (9M 2018: USD 612.9 million)
- Operating result (EBIT) of USD 722.2 million (including IFRS 16 effect of around USD 25.7 million) is also significantly higher than in the previous year (9M 2018: USD 357.4 million)
- Group net result of USD 333.3 million (including IFRS 16 effect of around USD –30.2 million) is substantially higher than in the previous year (9M 2018: USD 14.9 million)
- Strong operating cash flow of USD 1,726.8 million (9M 2018: USD 871.7 million), positively affected by the first-time application of IFRS 16 in the amount of approximately USD 398.9 million
- Liquidity reserve totalled USD 1,200.0 million as at 30 September 2019
- Early redemption of the EUR 450 million bond due in 2022 as part of the debt repayment plan
- Balance sheet total increases to USD 18,234.1 million compared with 31 December 2018, primarily as a result of the first-time application of IFRS 16
- Equity ratio decreases slightly to 40.2% (31 December 2018: 40.9%) due to IFRS 16

[1] Weighted average MFO & MDO

For computational reasons, rounding differences may occur in some of the tables and charts of this report.

This report was published on 14 November 2019

CONTENTS

1. MAIN VALUE DRIVERS OF THE CONTAINER SHIPPING SECTOR FOR 2019

1.1. General economic conditions

The experts at the International Monetary Fund (IMF) anticipate global economic growth of 3.0% and 3.4% in 2019 and 2020 respectively (IMF, World Economic Outlook, October 2019). The IMF has lowered its growth prediction for 2019 by 0.2 percentage points and for 2020 by 0.1 percentage points compared to its forecast published in July 2019. According to the IMF's statement, this is the lowest growth rate since the financial crisis of 2008 – 2009. The current forecast takes account of the global increase in trade restrictions and the generally rising uncertainty in relation to global trade and ongoing geopolitical tensions. The expected revival in 2020 is largely based on an economic recovery in newly industrialised countries such as Turkey, Argentina, Iran, Brazil and Saudi Arabia.

Based on its current forecast, the IMF predicts that the volume of global trade, which is key to the demand for container shipping services, will grow by 1.1% in 2019 compared with the previous year. The institute has therefore cut its forecast from April 2019 substantially once again by 1.4 percentage points. Growth of 3.2% is expected in 2020 (July forecast: 3.7%).

Developments in global economic growth (GDP) and world trade volume

in %	2020e	2019e	2018	2017	2016	2015	2014
Global economic growth	3.4	3.0	3.6	3.8	3.4	3.4	3.6
Industrialised countries	1.7	1.7	2.2	2.4	1.7	2.3	2.1
Developing and newly industrialised countries	4.6	3.9	4.5	4.8	4.6	4.3	4.7
World trade volume (goods and services)	3.2	1.1	3.7	5.5	2.2	2.8	3.9

Source: IMF, October 2019

1.2. Sector-specific conditions

Based on the current forecasts, the global container transport volume could rise to approximately 146 million TEU in 2019 (IHS Markit, September 2019). IHS Markit therefore expects the global container shipping volume to increase by 1.9% in 2019, once again outpacing the forecast rate of growth for global trade. IHS has lowered its forecast considerably by 1.9 percentage points compared to its last one, published in May 2019. However, the institute has once again changed its forecasting method in its publication and therefore adjusted the previous year's value as well. The figure is thus only comparable with previous publications to a limited degree. For the period 2020 to 2024, IHS Markit is currently predicting annual growth of 3.4% on average in the global container shipping volume. As a result, container shipping will continue to be a growth industry.

Development of world trade volume

	2020e	2019e	2018	2017	2016	2015	2014
million TEU	149	146	143	140	133	131	131
Growth rate in %	2.6	1.9	1.9	5.4	1.4	0.3	–

Source: IHS Markit (September 2019). IHS methodology changed compared to May 2019. Limited comparability with previous publications.

At the beginning of 2019, the aggregate capacity of the global container ship fleet was approximately 22.0 million TEU (Drewry Container Forecaster Q3 2019, October 2019). Based on the container ships on order and planned deliveries, the globally available transport capacity should see increases of around 0.8 million TEU in 2019 and around 0.9 million TEU in 2020 (Drewry Container Forecaster Q3 2019, October 2019). This includes the expected delays of deliveries in the current financial year and the expected scrapping. The tonnage of the commissioned container ships of approximately 2.3 million TEU (MDS Transmodal, October 2019) is equivalent to around 10% of the present global container fleet's capacity (approximately 23 million TEU as at October 2019). It therefore remains well below the highest level seen to date, which was around 61% in 2007, and the average over the last 5 years (around 16%).

In the period from January to September 2019, orders were placed for the construction of 45 container ships with a transport capacity totalling approximately 0.3 million TEU (FY 2018: capacity of approximately 1.2 million TEU [Clarksons Research, October 2019]).

Expected development of global container fleet capacity

million TEU	2020e	2019e	2018	2017
Existing fleet (beginning of the year)	22.9	22.0	20.8	20.1
Planned deliveries	1.4	1.1	1.5	1.5
Expected scrappings	0.4	0.2	0.1	0.4
Postponed deliveries and other changes	0.1	0.1	0.2	0.4
Net capacity growth	**0.9**	**0.8**	**1.2**	**0.7**

Source: Drewry Container Forecaster Q3 2019, October 2019. Expected nominal capacity based on planned deliveries. Based on existing orders and current predictions for scrapping and postponed deliveries. Figures rounded. Rounding differences may be the result of changes in the databases.

While net capacity growth is forecast at 0.8 million TEU (Drewry Container Forecaster Q3, October 2019), the global container shipping volume is expected to increase by 2.7 million TEU in 2019 (IHS Markit, September 2019).

The actual growth in the global container ship fleet's transport capacity is regularly lower than the projected nominal increase, as old and inefficient vessels are scrapped and deliveries of newbuilds are postponed. Based on figures from MDS Transmodal, a total of 102 container ships with a transport capacity of approximately 0.8 million TEU were placed into service in the first 9 months of 2019 (9M 2018: 133 ships with a transport capacity of approximately 1.0 million TEU). At 0.1 million TEU, the scrapping of inefficient vessels was significantly lower in 2018 than in previous years (2017: 0.4 million TEU; 2016: 0.7 million TEU). According to Drewry (Container Forecaster Q3, October 2019), however, the figure is expected to rise again slightly in 2019 to approximately 0.2 million TEU. At the start of the year, Drewry expected scrapping to increase to around 0.5 million TEU (Drewry Container Forecaster 4Q 2018). According to Clarksons, around 0.1 million TEU was scrapped in the first 9 months of 2019.

Idle capacity was around 0.8 million TEU at the end of September 2019 (Alphaliner Weekly, October 2019), accounting for approximately 3.3% of the global fleet. The majority of idle vessels have a capacity of up to 5,100 TEU.

2. STRUCTURE OF HAPAG-LLOYD'S VESSEL AND CONTAINER FLEET

Flexible fleet and capacity development

As at 30 September 2019, Hapag-Lloyd's fleet comprises a total of 231 container ships (31 December 2018: 227 vessels). All of the vessels are certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate.

The majority of the vessels are certified as per ISO 9001 (quality management) and ISO 14001 (environmental management). The TEU capacity of the entire Hapag-Lloyd fleet as at 30 September 2019 stands at 1,670,417 TEU and is therefore virtually unchanged compared to 31 December 2018 (1,643,371 TEU). The share of vessels chartered by Hapag-Lloyd is approximately 37% as at 30 September 2019 based on TEU capacity (31 December 2018: approximately 36%).

As at 30 September 2019, the average age of Hapag-Lloyd's total fleet (capacity-weighted) is 8.6 years. The average ship size within the Hapag-Lloyd Group fleet is 7,231 TEU, which is approximately 18% above the comparable average figure for the 10 largest container liner shipping companies (30 September 2019: 6,116 TEU) and around 71% above the average ship size in the global fleet (30 September 2019: 4,237 TEU).

As at 30 September 2019, Hapag-Lloyd owned or rented 1,557,700 containers (31 December 2018: 1,554,423) with a capacity of 2,555,867 TEU for shipping cargo (31 December 2018: 2,559,316 TEU). The capacity-weighted share of leased containers is around 46% as at 30 September 2019 (31 December 2018: 48%). To facilitate further growth in the strategically important reefer segment, Hapag-Lloyd ordered 13,420 new reefer containers in June 2019. Around 7,000 reefer containers had been delivered by 30 September 2019. The remaining containers are scheduled for delivery by the end of November 2019. In connection with this, Hapag-Lloyd is also launching a programme to fit its entire fleet of reefer containers with the latest IOT (Internet of Things) monitoring technology. The resulting customer products will be marketed under the name Hapag-Lloyd LIVE and include a real-time GPS, information on the temperature inside the container and a notification system / alarm management system.

Hapag-Lloyd's service network comprises 121 services as at 30 September 2019 (31 December 2018: 119 services).

Structure of Hapag-Lloyd's container ship fleet

	30.9.2019	31.12.2018	30.9.2018
Number of vessels	**231**	**227**	**222**
thereof			
Own vessels[1]	112	112	112
Chartered vessels	119	115	110
Aggregate capacity of vessels (TTEU)	1,670	1,643	1,596
Aggregate container capacity (TTEU)	2,556	2,559	2,553
Number of services	**121**	**119**	**118**

[1] Including 17 lease agreements with purchase option / obligation at maturity. Previous year´s figures have been adjusted accordingly.

Since the merger with UASC, Hapag-Lloyd has had a very young and efficient fleet. The existing fleet, additional chartered ships and cooperation with the partners in THE Alliance will make it possible to utilise the short-term expansion opportunities resulting from market growth and to realise economies of scale in ship operations. However, in order to remain competitive in the medium term, the Executive Board of Hapag-Lloyd AG believes that the Group will invest in new ship systems again at the appropriate time. In the context of the International Maritime Organization's (IMO) requirements to reduce sulphur dioxide emissions starting in 2020, Hapag-Lloyd will install exhaust gas cleaning systems (EGCS) on 10 larger container ships and test the use of liquid gas (LNG) by converting one of its large vessels.

3. HAPAG-LLOYD: GROUP EARNINGS POSITION

Group earnings position

Earnings developments in the first 9 months of 2019 were clearly positive and in the upper range of the Executive Board's expectations. By contrast, the increase in transport volume was 1.2%, which was lower than had been expected at the start of the year.

Compared to the first 9 months of the 2018 financial year, the development of the average freight rate and the increase in the transport volume continued to have a positive effect on the earnings position. By contrast, increased fuel costs compared to the previous year and higher charter costs reduced earnings in the first 9 months of the 2019 financial year. Hapag-Lloyd generated earnings before interest and taxes (EBIT) of USD 722.2 million in the first 9 months of 2019 (prior year period: USD 342.8 million) and a Group profit of USD 333.3 million (prior year period: USD 14.9 million).

3.1. CONSOLIDATED INCOME STATEMENT

Consolidated income statement

million USD [1]	Q3 2019	Q2 2019	Q3 2018	QoQ change	YoY change	9M 2019	9M 2018	Change
Revenue	3,607.5	3,569.0	3,564.6	1%	1%	10,654.1	10,141.3	5%
Transport expenses	–2,736.7	–2,790.5	–2,899.6	–2%	–6%	–8,187.4	–8,416.9	–3%
Personnel expenses	–191.8	–185.5	–175.8	3%	9%	–566.6	–559.5	1%
Depreciation, amortisation and impairment	–334.7	–327.3	–205.4	2%	63%	–975.0	–612.9	59%
Other operating result	–74.4	–78.7	–56.7	5%	–31%	–235.5	–233.8	–1%
Operating result [1]	**269.9**	**187.0**	**227.2**	**44%**	**19%**	**689.7**	**318.2**	**117%**
Share of profit of equity-accounted investees	11.3	10.1	8.0	12%	42%	31.1	26.7	17%
Result from investments	1.2	–	12.5	n. m.	–90%	1.4	12.5	–89%
Earnings before interest and tax (EBIT) [1]	**282.4**	**197.1**	**247.7**	**43%**	**14%**	**722.2**	**357.4**	**102%**
Interest result	–103.1	–133.5	–101.7	–23%	1%	–357.2	–310.8	15%
Other financial items	3.3	–1.2	4.4	n. m.	–25%	2.3	2.1	12%
Income taxes	–14.5	–6.6	–13.2	121%	10%	–34.0	–33.8	1%
Group profit / loss [1]	**168.1**	**55.9**	**137.2**	**201%**	**23%**	**333.3**	**14.9**	**n. m.**

[1] Due to the change in presentation of the consolidated income statement, the previous year's values have been adjusted. As a result, EBIT for the first 9 months of 2018 declined by USD 2.0 million, from USD 359.4 million to USD 357.4 million

3.2. FREIGHT RATE PER TRADE

The average freight rate in the first 9 months of the 2019 financial year was USD 1,075/TEU, which was USD 43/TEU up on the prior year period (USD 1,032/TEU).

Compared with the first 9 months of the 2018 financial year, freight rate increases in particular on the Atlantic, Transpacific, Intra-Asia, Latin America and EMA trades had a positive effect on the average freight rate in the reporting period and therefore on earnings. However, the freight rate decreases on the Far East and Middle East trades had the opposite effect.

Freight rate per trade[1]

USD/TEU	Q3 2019	Q2 2019	Q3 2018	QoQ change	YoY change	9M 2019	9M 2018	Change
Atlantic	1,411	1,361	1,357	4%	4%	1,374	1,318	4%
Transpacific	1,357	1,289	1,268	5%	7%	1,328	1,243	7%
Far East	912	858	978	6%	–7%	922	940	–2%
Middle East	733	753	750	–3%	–2%	748	770	–3%
Intra-Asia	552	548	519	1%	6%	543	514	6%
Latin America	1,146	1,144	1,119	–	2%	1,156	1,113	4%
EMA (Europe, Mediterranean, Africa)	1,072	1,101	1,000	–3%	7%	1,047	955	10%
Total	**1,084**	**1,063**	**1,055**	**2%**	**3%**	**1,075**	**1,032**	**4%**

1 Due to organisational changes, the transport volumes to/from Djibouti, Sudan and Eritrea have been assigned to the EMA trade since 1 January 2019. Since the third quarter of 2019, transport volumes to/from Oceania have been assigned to the Far East trade (previously assigned to EMAO). The previous year's values have been adjusted accordingly.

3.3. TRANSPORT VOLUME PER TRADE

With its balanced positioning on the relevant trades, Hapag-Lloyd was able to increase its transport volume by 111 TTEU to 9,011 TTEU (prior year period: 8,900 TTEU), representing a rise of 1.2% in the first 9 months of 2019 compared to the first 9 months of the 2018 financial year. This means that the growth in transport volume in the first 9 months of the 2019 financial year was below the company's expectations at the start of the year.

Transport volume increases, on the Atlantic, Far East, Latin America and EMA trades, had a positive impact on the transport volume in the reporting period. However, transport volume decreases, particularly on the Middle East and Intra-Asia trades, had a negative effect on the transport volume. The decrease in transport volume on the Intra-Asia trade resulted from actively reduced capacity in the first 9 months of 2019 financial year as part of the strategic realignment of Hapag-Lloyd in the context of Strategy 2023.

Transport volume per trade[1]

TTEU	Q3 2019	Q2 2019	Q3 2018	QoQ change	YoY change	9M 2019	9M 2018	Change
Atlantic	489.2	512.6	468.3	–5%	4%	1,471.5	1,382.2	6%
Transpacific	512.3	493.9	520.4	4%	–2%	1,456.3	1,459.0	–
Far East	592.6	584.2	595.0	1%	–	1,770.6	1,711.0	3%
Middle East	335.1	344.0	346.3	–3%	–3%	1,030.0	1,070.9	–4%
Intra-Asia	229.9	215.1	257.0	7%	–11%	665.6	775.8	–14%
Latin America	722.5	712.5	719.2	1%	–	2,111.8	2,071.5	2%
EMA (Europe, Mediterranean, Africa)	163.3	175.5	146.1	–7%	12%	505.3	429.7	18%
Total	**3,044.9**	**3,037.7**	**3,052.3**	**–**	**–**	**9,011.2**	**8,900.1**	**1%**

[1] Due to organisational changes, the transport volumes to / from Djibouti, Sudan and Eritrea have been assigned to the EMA trade since 1 January 2019. Since the third quarter of 2019, transport volumes to / from Oceania have been assigned to the Far East trade (previously assigned to EMAO). The previous year's values have been adjusted accordingly..

3.4. REVENUE PER TRADE

The Hapag-Lloyd Group's revenue rose by USD 512.0 million to USD 10,654.1 million in the first 9 months of the 2019 financial year (prior year period: USD 10,141.3 million), representing an increase of 5%. The main reasons for this were the rise in average freight rates and increased transport volumes.

The increase in revenues not assigned to trades was mainly due to higher revenues from the rent of container slots (slot charter).

Revenue per trade[1]

million USD	Q3 2019	Q2 2019	Q3 2018	QoQ change	YoY change	9M 2019	9M 2018	Change
Atlantic	690.0	697.4	635.3	–1%	9%	2,022.3	1,821.4	11%
Transpacific	695.0	636.6	659.7	9%	5%	1,933.9	1,813.2	7%
Far East	540.3	520.4	581.9	4%	–7%	1,631.9	1,609.0	1%
Middle East	245.7	259.1	259.7	–5%	–5%	770.3	824.8	–7%
Intra-Asia	127.0	118.0	133.3	8%	–5%	361.4	398.9	–9%
Latin America	828.0	815.0	805.2	2%	3%	2,441.8	2,305.7	6%
EMA (Europe, Mediterranean, Africa)	175.0	183.6	146.1	–5%	20%	529.2	410.5	29%
Revenue not assigned to trades	306.5	338.6	343.3	–9%	–11%	963.3	957.7	1%
Total	**3,607.5**	**3,569.0**	**3,564.6**	**1%**	**1%**	**10,654.1**	**10,141.3**	**5%**

[1] As a result of the change in presentation of the consolidated income statement, revenue for 9M 2018 increased by USD 69.8 million, from USD 10,071.5 million to USD 10,141.3 million, and for Q3 2018 by USD 22.8 million, from EUR 3,541.8 million to EUR 3,564.6 million

Due to organisational changes, the transport volumes to / from Djibouti, Sudan and Eritrea have been assigned to the EMA trade since 1 January 2019. Since the third quarter of 2019, transport volumes to / from Oceania have been assigned to the Far East trade (previously assigned to EMAO). The previous year's values have been adjusted accordingly.

3.5. OPERATING EXPENSES

Transport expenses sank by USD 229.5 million in the first 9 months of the 2019 financial year to USD 8,187.4 million (prior year period: USD 8,416.9 million). This represents a decrease of 2,7% that is mainly caused by the first-time application of IFRS 16 "Leases" in the first 9 months of 2019. As a result of the application of the standard, expenses for leases which were previously classified as operating leases (essentially medium and long-term charter expenses for vessels and container rental) are no longer recognized within the transport expenses position but rather as amortization on right of use of leased assets and interest expenses for lease liabilities. This positive effect was compensated by higher expense resulting from an increased transport volume, the higher bunker price and the increase in charter capacity as well as higher charter rates.

The increase in fuel expenses of USD 53.1 million (4%) to USD 1,386.2 million primarily results from the slightly higher bunker price in the current reporting period. In the first 9 months of the 2019 financial year, the average bunker consumption price for Hapag-Lloyd was USD 425 per tonne, up USD 19 per tonne (4.7%) on the figure of USD 406 per tonne for the prior year period.

Personnel expenses rose by USD 7.1 million (1%) to USD 566.6 million in the first 9 months of the 2019 financial year (prior year period: USD 559.5 million).

Depreciation and amortisation came to USD 975.0 million in the first 9 months of the 2019 financial year (prior year period: USD 613.0 million). The year-on-year increase in depreciation and amortisation was primarily due to the effects of the first-time recognition of leased assets in accordance with IFRS 16. The amortisation of rights of use relating to leased and first-time recognised assets (essentially vessels, containers, buildings) led to additional amortisation of USD 358.5 million (prior year period: USD 0.0 million).

The other operating result comprises the net balance of other operating expenses and income. The other operating expenses included in this item totalled USD 273.8 million for the first 9 months of the 2019 financial year (prior year period: expenses of USD 263.1 million). This included mainly IT expenses (USD 125.5 million), administrative expenses (USD 34.8 million) and consultancy fees (USD 27.1 million).

Operating expenses

million USD	Q3 2019	Q2 2019	Q3 2018	QoQ change	YoY change	9M 2019	9M 2018	Change
Transport expenses	**–2,736.7**	**–2,790.5**	**–2,899.6**	**–2%**	**–6%**	**–8,187.4**	**–8,416.9**	**–3%**
thereof								
Bunker	–457.5	–480.7	–493.7	–5%	–7%	–1,386.2	–1,333.1	4%
Handling and haulage	–1,392.8	–1,402.0	–1,446.4	–1%	–4%	–4,148.6	–4,250.2	–2%
Equipment and repositioning	–353.7	–332.9	–370.2	6%	–4%	–1,010.0	–1,082.9	–7%
Vessel and voyage (excluding bunker)	–529.6	–560.6	–617.9	–6%	–14%	–1,650.4	–1,742.0	–5%
Pending transport expenses	–3.2	–14.2	28.6	–78%	n. m.	7.7	–8.8	n. m.
Personnel expenses	–191.8	–185.5	–175.8	3%	9%	–566.6	–559.5	1%
Depreciation, amortisation and impairments	–334.7	–327.3	–205.5	2%	63%	–975.0	–613.0	59%
Other operating result	–74.4	–78.7	–56.7	–5%	31%	–235.5	–233.8	1%
Total operating expenses	**–3,337.6**	**–3,382.0**	**–3,337.5**	**–1%**	**–**	**–9,964.4**	**–9,823.1**	**1%**

3.6. UNIT COSTS

Due to the changes made to the income statement structure and the changes resulting from the first-time application of IFRS 16 “Leasing”, it is no longer meaningful to present unit costs in their former form. Against this background and in order to increase the transparency of unit cost development, Hapag-Lloyd has revised the presentation and composition of unit costs for external reporting purposes. Since a large part of the charter expenses previously reported under transport expenses have been reported as depreciation since the application of IFRS 16, transport expenses are now shown together with depreciation for analysis purposes and for better traceability of unit cost development.

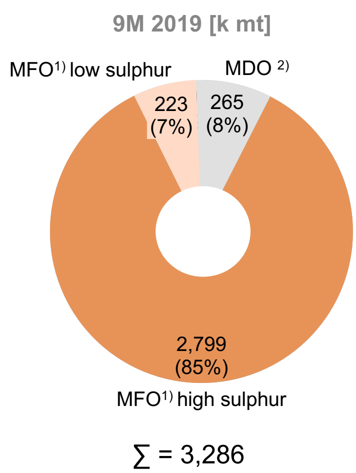
Unit costs

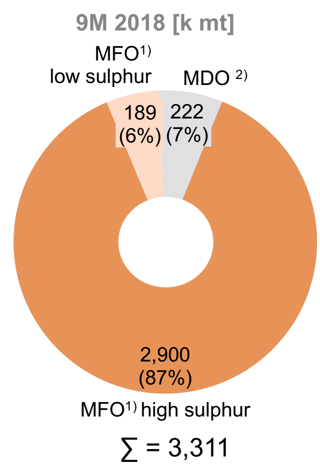
USD / TEU	Q3 2019	Q2 2019	Q3 2018	QoQ change	YoY change	9M 2019	9M 2018	Change
Transport expenses	**–898.8**	**–918.6**	**–950.0**	**–2%**	**–5%**	**–908.6**	**–945.7**	**–4%**
thereof								
Bunker	–150.2	–158.2	–161.8	–5%	–7%	–153.8	–149.8	3%
Handling and haulage	–457.4	–461.5	–473.9	–1%	–3%	–460.4	–477.5	–4%
Equipment and repositioning	–116.2	–109.6	–121.3	6%	–4%	–112.1	–121.7	–8%
Vessel and voyage (excl. bunker)	–173.9	–184.6	–202.4	–6%	–14%	–183.1	–195.7	–6%
Pending transport expenses	–1.0	–4.7	9.4	–78%	n. m.	0.9	–1.0	n. m.
Depreciation, amortisation and impairment (D&A)	**–109.9**	**–107.8**	**–67.3**	**2%**	**63%**	**–108.2**	**–68.9**	**57%**
Transport expenses incl. D&A	**–1,008.7**	**–1,026.4**	**–1,017.3**	**–2%**	**–1%**	**–1,016.8**	**–1,014.6**	**–**

Transport cost per unit (incl. D&A) have almost been stable, increasing slightly by USD 2 / TEU in the first 9 months of 2019 compared to the prior year period. This increase was mainly driven by higher “Bunker” costs (increase of 3% or USD 4 / TEU as compared to prior year period). Costs for “Handling and haulage” decreased by 4% (USD –17 / TEU) as less profitable inland business was actively reduced resulting from the inland project of Strategy 2023. Costs for “Equipment and repositioning” decreased substantially by 8% (USD –10 / TEU) due to the application of IFRS 16. Nevertheless, the corresponding increase in depreciation for rented container (USD 18 / TEU) more than offset this decrease. Higher cost for the repositioning of empty container drove the net increase of this cost item. Similarly, costs for “Vessel and voyage” decreased due to the application of IFRS 16 (USD –13 / TEU). The corresponding increase in depreciation for chartered vessels (USD 19 / TEU) more than offset this decrease. The net increase of USD 6 / TEU was mainly driven by a capacity expansion and an increase in charter prices compared to the prior year period. Nevertheless, the increase was partly offset by higher slotcharter revenues of USD 3 / TEU as excess capacity has been sold to a large extent to third parties (see also explanation in section “revenue per trade”).

Bunker consumption development

Bunker consumption totalled approximately 3.3 million tonnes in the first 9 months of 2019 and was therefore on a par with the previous year (9M 2018: approximately 3.3 million tonnes). Around 15% (9M 2018: approximately 13%) of this comprised bunkers with a low proportion of sulphur (MFO low sulphur [0.1%], MDO). The efficiency of the container ship fleet is also reflected in the bunker consumption data per slot (as measured by the average annual container storage space) of 2.6 tonnes (9M 2018: 2.8 tonnes). In terms of transported TEU, bunker consumption was reduced to 0.36 tonnes per TEU compared to the previous year (9M 2018: 0.37 tonnes per TEU).





[1] MFO = Marine Fuel Oil; [2] MDO = Marine Diesel Oil

3.7. EARNINGS POSITION

In the reporting period earnings before interest and taxes (EBIT) amounted to USD 722.2 million (including a positive effect from the first-time application of IFRS 16 in the amount of approximately USD 25.7 million). They were therefore well above the corresponding figure in the prior year period (USD 357.4 million).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at USD 1,697.2 million in the first 9 months of the 2019 financial year (prior year period: USD 970.3 million). This includes a positive effect from the first-time application of IFRS 16 in the amount of approximately USD 383.4 million.

EBIT and EBITDA margin [1]

million USD	Q3 2019	Q2 2019	Q3 2018	QoQ change	YoY change	9M 2019	9M 2018	Change
Revenue	3,607.5	3,569.0	3,564.6	1%	1%	10,654.1	10,141.3	5%
EBIT	282.4	197.1	247.7	43%	14%	722.2	357.4	102%
EBITDA	617.2	524.5	453.1	18%	36%	1,697.2	970.3	75%
EBIT margin	7.8%	5.5%	6.9%	2.3 ppt	0.9 ppt	6.8%	3.5%	3.3 ppt
EBITDA margin	17.1%	14.7%	12.7%	2.4 ppt	4.4 ppt	15.9%	9.6%	6.4 ppt

[1] Due to the change in presentation of the consolidated income statement, the previous year's values have been adjusted. As a result, EBIT for the first 9 months of 2018 rose by USD 2.0 million, from USD 359.4 million to USD 357.4 million.

The interest result for the first 9 months of the 2019 financial year was USD –357.2 million (prior year period: USD –310.8 million). The increase in interest expenses compared to the first 9 months of the 2018 financial year was primarily due to the first-time application of IFRS 16. Interest expenses for the new lease liabilities which must now be included in accordance with IFRS 16 totalled USD 55.9 million in the first 9 months of 2019 (prior year period: USD 0.0 million). The early repayment of a bond also resulted in one-off effects totalling USD 25.0 million as a result of redemption charges, the disposal of associated embedded derivatives and other associated transaction costs. By contrast, the valuation of the embedded derivatives of the bonds resulted in income of USD 21.1 million (prior year period: income of USD 5.2 million), which had a positive impact on the interest result in the first 9 months of the reporting year.

A Group profit of USD 333.3 million was achieved in the first 9 months of 2019 (prior year period: USD 14.9 million).

4. GROUP NET ASSET POSITION

Group net asset position

million USD	30.9.2019	31.12.2018
Assets		
Non-current assets	15,524.2	14,709.1
of which fixed assets	15,453.7	14,645.7
Current assets	2,710.0	2,812.6
of which cash and cash equivalents	635.0	752.4
Total assets	**18,234.1**	**17,521.7**
Equity and liabilities		
Equity	7,332.2	7,167.5
Borrowed capital	10,902.0	10,354.2
of which non-current liabilities	6,471.8	6,487.4
of which current liabilities	4,430.2	3,866.8
of which financial debt and lease liabilities	7,379.2	6,891.1
of which non-current financial debt and lease liabilities	5,998.8	6,070.8
of which current financial debt and lease liabilities	1,380.4	820.3
Total equity and liabilites	**18,234.1**	**17,521.7**

As at 30 September 2019, the Group’s balance sheet total was USD 18,234.1 million, which is USD 712.4 million higher than the figure at year-end 2018. The main reason for the increase in the balance sheet total is the first-time application of IFRS 16 from 1 January 2019.

Within non-current assets, the carrying amounts of fixed assets increased by a total of USD 808.0 million to USD 15,453.7 million (31 December 2018: USD 14,645.7 million). This rise was primarily due to the first-time application of IFRS 16 and the associated recognition of the right of use relating to lease contracts in the amount of USD 982.7 million as at 1 January 2019 (31 December 2018: USD 0.0 million). The increase of non-current assets in the first 9 months of 2019 also resulted from additional rights of use for leased assets in the amount of USD 588.8 million as well as further investments totalling USD 284.5 million relating primarily to containers and ship equipment.

Depreciation and amortisation of USD 975.0 million in the first 9 months of 2019 had an opposite effect (prior year period: USD 613.0 million). This figure includes an amount of USD 358.5 million for additional amortisations of the rights of use according to the newly implemented standard IFRS 16.

Cash and cash equivalents of USD 635.0 million decreased by USD 117.4 million compared to the end of 2018 (USD 752.4 million).

Equity (including non-controlling interests) grew by USD 164.7 million to a total of USD 7,332.2 million. This increase is mainly due to the Group profit of USD 333.3, compensated by the payment of a dividend by Hapag-Lloyd AG for the 2018 financial year in the amount of USD 29.8 million, the measurement of pension provisions through other comprehensive income in the amount of USD 71.4 million due to the lower interest rate, and the adjustment of opening balance sheet values due to the first-time application of IFRS 16 as at 1 January 2019 in the amount of USD 20.0 million. The equity ratio was 40.2% as at 30 September of the current year (31 December 2018: 40.9%).

The Group's borrowed capital has risen by USD 547.8 million to USD 10,902.0 million since the 2018 financial statements were prepared, which was mainly due to an increase in financial debt and lease liabilities of USD 488.1 million to USD 7,379.2 million as at 30 September 2019. The main reason for the increase in financial debt and lease liabilities was the first-time application of IFRS 16, which led to the recognition of additional lease liabilities of USD 1,085.1 million as at 1 January 2019. Payments for new financings, the recognition of lease liabilities and exchange rate effects relating to financial debt and lease liabilities in the amount of USD 46.1 million also caused borrowed capital to increase. Redemption payments totalling USD 2,030.0 million including the early repayment of a bond in the amount of EUR 450.0 million and including redemption payments for liabilities from finance lease contracts amounting to USD 380.7 million reduced financial debt.

Taking cash and cash equivalents, financial debt and lease liabilities into account, net debt as at 30 September 2019 was USD 6,744.2 million (31 December 2018: USD 6,131.3 million).

For further information on significant changes to specific balance sheet items, please refer to the Notes to the consolidated statement of financial position, which can be found in the condensed Notes to the consolidated financial statements.

5. GROUP FINANCIAL POSITION

5.1. DEVELOPMENTS IN CASH AND CASH EQUIVALENTS

Development of liquidity reserve

million USD	Q3 2019	Q3 2018	9M 2019	9M 2018
Cash and cash equivalents beginning of the period	515.3	643.0	752.4	725.0
Unused credit lines beginning of the period	545.0	520.0	545.0	545.0
Liquidity reserve beginning of the period	**1,060.3**	**1,163.0**	**1,297.4**	**1,270.0**
EBITDA	617.2	453.1	1,697.2	970.3
Working capital	128.8	–35.2	89.8	–11.0
Others	–18.8	–44.0	–60.2	–87.6
Operating cash flow	**727.2**	**373.9**	**1,726.8**	**871.7**
Investments	–125.8	–178.4	–313.0	–303.6
thereof vessel	–24.8	–15.4	–51.5	–54.9
thereof container	–97.4	–156.6	–243.5	–235.6
thereof other	–3.6	–6.4	–18.0	–13.1
Cash received from acquisitions	–	–0.3	–	–
Disinvestments	13.3	12.1	35.4	43.0
Dividends received	1.2	0.2	33.6	39.6
Investing cash flow	**–111.3**	**–166.4**	**–244.0**	**–221.0**
Capital increase	–	0.3	–	0.3
Payments for capital increase	–	–	–	–2.4
Debt intake	200.7	535.8	927.0	733.7
Debt repayment	–390.5	–435.5	–1,649.3	–995.6
Repayment of Finance Lease liabilities	–143.3	–8.7	–380.7	–25.9
Dividends paid	–2.8	–121.1	–39.1	–133.4
Interest	–105.7	–112.7	–351.4	–295.4
Payments made from hedges for financial debts	–54.6	–18.5	–114.1	21.2
Change in restricted cash	–	4.3	7.4	16.0
Financing cash flow	**–496.2**	**–156.1**	**–1,600.2**	**–681.5**
Changes due to exchange rate fluctuations	–	–	–	–
Liquidity reserve end of the period	**1,200.0**	**1,164.4**	**1,200.0**	**1,164.4**
Cash and cash equivalents end of the period	635.0	694.4	635.0	694.4
Unused credit lines end of the period	565.0	470.0	565.0	470.0

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of USD 1,726.8 million in the first 9 months of the 2019 financial year (prior year period: USD 871.7 million). The increase in cash flow from operating activities was positively affected by the application of IFRS 16 as the repayment and interest portion of the lease payments is disclosed as cash flow from financing activities instead of cash flow from operating activities according to IFRS 16.

Cash flow from investing activities

In the first 9 months of the 2019 financial year, the cash outflow from investing activities totalled USD 244.0 million (prior year period: USD 221.0 million) and related to payments for investments of USD 313.0 million (prior year period: USD 303.6 million), primarily in containers and ship equipment. These included payments in the amount of USD 106.3 million for containers acquired in the previous year. This was compensated by cash inflows of USD 35.4 million (prior year period: USD 43.0 million), which were primarily due to the sale of containers.

Cash flow from financing activities

Overall, there was a cash outflow from financing activities in the current reporting period in the amount of USD 1,600.2 million (prior year period: USD 681.5 million) which mainly comprised interest and redemption payments of USD 2,381.4 million (prior year period: USD 1,316.9 million).

Interest and redemption payments in the first 9 months of the 2019 financial year include the partial repayment of the ABS programme in the amount of USD 443.0 million, the repayment of group financings of USD 418.8 million and for the first time interest and repayments for lease liabilities in accordance with IFRS 16 in the amount of USD 380.7 million. In February 2019 and June 2019, Hapag-Lloyd completely repaid a bond in the amount of EUR 450.0 million before its 2022 due date. There were also cash outflows from the realisation of derivative financial instruments used to hedge financial debt in the amount of USD 114.1 million (prior year period: cash inflow of USD 21.2 million).

The cash outflows were offset by cash inflows of USD 927.0 million (prior year period: USD 733.7 million). A new revolving credit facility in the amount of USD 112.4 million was utilised in connection with the early repayment of the bond. Other significant cash inflows resulted from the financing of containers using Japanese operating leases (JOLs) in the amount of USD 217.5 million, drawdowns under the existing ABS programme in the amount of USD 363.0 million, loans to refinance vessels in the amount of USD 188.0 million and the payment for an unsecured term loan in the amount of USD 45.2 million.

5.2. FINANCIAL SOLIDITY

The Group's net debt amounted to USD 6,744.2 million as at 30 September 2019. This was a rise of USD 612.9 million compared to net debt of USD 6,131.3 million as at 31 December 2018.

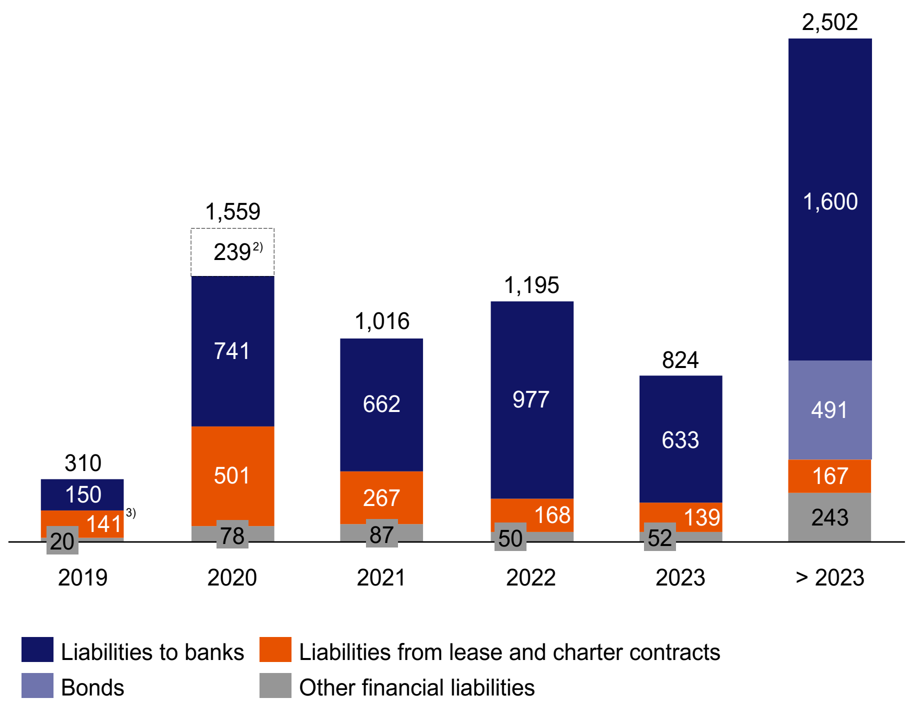
The increase was essentially due to the application of the reporting standard IFRS 16 from 1 January 2019. The recognition of the lease liability associated with the first-time recognition of rights of use relating to leases (primarily for medium and long-term charter expenses for vessels and for container leases) led to an increase of USD 1,085.1 million in financial debt as at 1 January 2019.

The equity ratio decreased slightly by 0.7 percentage points, from 40.9% as at 31 December 2018 to 40.2% which was mainly due to the first time adoption of IFRS 16 and the corresponding increase in financial debt. Gearing – the ratio of net debt to balance sheet equity – increased from 85.5% to 92.0% as a result.

Financial solidity

million USD	30.9.2019	31.12.2018	30.9.2018
Financial debt	7,379.2	6,891.1	7,272.1
Cash and cash equivalents	635.0	752.4	694.4
Restricted cash	–	7.4	42.6
Net debt	**6,744.2**	**6,131.3**	**6,535.1**
Unused credit lines	565.0	545.0	470.0
Liquidity reserve	**1,200.0**	**1,297.4**	**1,164.4**
Equity	7,332.2	7,167.5	7,171.3
Gearing (net debt/equity) (%)	**92.0**	**85.5**	**91.1**
Equity ratio (%)	**40.2**	**40.9**	**40.9**

Contractual maturity profile of financial debt (USD million)[1]



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 30.09.2019 consists of transaction costs and accrued interest

2 ABS program maturity in 2020, assumed to be prolongated

3 Liabilities from lease and charter contracts consist of USD 87 million liabilities from former finance lease contracts and USD 1,295 million from lease contracts presented as on-balance financial liability due to first-time application of IFRS 16

The total repayment amount of USD 7,406 million is categorized between (1) liabilities to banks, (2) bonds, (3) liabilities from lease and on-balance charter contracts and (4) other financial liabilities.

Liabilities to banks comprise loans to finance the existing fleet of vessels and containers. Furthermore, liabilities to banks include the ABS programme (USD 239 million), a revolving line collateralized by receivables.

Hapag-Lloyd had one bond outstanding as per 30 September 2019: EUR 450 million 5.125% Senior Notes due July 2024.

6. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date which would have led to a material change in the net asset, financial and earnings position of the Hapag-Lloyd Group.

7. OUTLOOK

The general economic and sector-specific conditions which are of importance to container shipping are presented and analysed in the 2018 annual report (Economic report). A summary of the most important external factors is given below.

In its latest economic outlook (October 2019), the International Monetary Fund (IMF) expects global economic growth to reach 3.0% in the current year. As such, expected economic growth is down by 0.2 percentage points on the previous forecast (July 2019). As per the current forecast, the global economy is expected to grow at a significantly slower rate in 2019 than in the previous year (+3.6%). According to the IMF, the volume of global trade, which is key to the demand for container shipping services, will increase by 1.1% in 2019 (2018: +3.7%). The institute has therefore cut its forecast from July 2019 substantially once again by 1.4 percentage points. According to the IMF, global trade volume will thus grow much more slowly than the global economy in 2019. IHS Markit (September 2019) is forecasting that the global container shipping volume will increase by 1.9% to approximately 146 million TEU in 2019 (2018: 1.9%). IHS has lowered its forecast significantly by 1.9 percentage points compared to its last one, published in May 2019. However, the institute has once again changed its forecasting method in its last publication and therefore adjusted the previous year's value as well. The figures are thus only comparable with previous publications to a limited degree. Nevertheless, the expected rise in worldwide transport volumes in container shipping for 2019 is in line with the rate of growth for global trade volume.

Following a rise in transport capacities (including scrapping and delays in deliveries) of approximately 1.2 million TEU to 22.0 million TEU in 2018, Drewry forecasts a nominal increase in transport capacities of up to approximately 0.8 million TEU for the current year. In relation to the total capacity of the global trading fleet, this represents an increase of around 3.7%. At the start of the year, Drewry expected an increase of around 0.5 million TEU (approximately 2.2%) based on the assumption of a higher scrapping rate.

Hapag-Lloyd now expects the transport volume in 2019 to be on par with the previous year (start of year: slight increase in transport volume). The main reason for this development is the general deterioration of the global economic climate, in particular due to geopolitical uncertainties. In addition, Hapag-Lloyd actively reduced capacity in the Intra-Asia trade lane in the first 9 months of 2019 as part of the strategic realignment of Hapag-Lloyd in the context of Strategy 2023. Based on these assumptions, and combined with a smaller increase in the global transport capacity than in the previous year, Hapag-Lloyd's average freight rate in 2019 is likely to increase slightly compared with the previous year. Based on the development of the average bunker consumption price in the first 9 months of 2019 and the current expectation for its development over the rest of the year, Hapag-Lloyd expects the average bunker consumption price for 2019 to be at the previous year's level (start of year: moderate increase in average bunker consumption price).

Hapag-Lloyd expects a Group EBITDA in the range of EUR 1.6 – 2.0 billion and a Group EBIT in the range of EUR 0.5 – 0.9 billion for 2019. Based on the business development in the first 9 months of 2019, it can currently be assumed that Group EBITDA and Group EBIT will be in the upper part of the guided ranges.

This includes a currently expected earnings effect from the first-time application of IFRS 16 on EBITDA of EUR 370 – 470 million and on EBIT of EUR 10 – 50 million. The effects of the first-time application of IFRS 16 are also currently expected to be in the upper part of the guided ranges.

The expected effects of the first-time application of IFRS 16 on the statement of financial position and the income statement are described in detail in the condensed Notes of the audited Quarterly Financial Report 9M 2019 which can be be found on the Hapag-Lloyd company website. Not accounted for here are impairments on goodwill, other intangible assets and property, plant and equipment, which, although not expected at present, cannot be ruled out given current geopolitical developments and other factors. The earnings forecast is based on the assumption of unchanged exchange rates.

Key benchmark figures for the 2019 outlook

Global economic growth (IMF)	3.0%
Increase in global trade (IMF)	1.1%
Increase in global container transport volume (IHS)	1.9%
Transport volume, Hapag-Lloyd	On previous years level
Average bunker consumption prices, Hapag-Lloyd	On previous years level
Average freight rate, Hapag-Lloyd	Slightly increasing
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	EUR 1.6 – 2.0 billion
Earnings before interest and taxes (EBIT)	EUR 0.5 – 0.9 billion

The benchmark figure for the 2019 outlook, which relates to the average freight rate remains unchanged on the forecast published in the 2018 annual report. By contrast, the forecasts for the expected development of the transport volume and average bunker consumption prices were adjusted slightly, as outlined above.

Business developments at Hapag-Lloyd are subject to far-reaching risks in an industry environment dominated by volatile freight rates and stiff competition. The general risks are described in detail in the risk report of the Group management report of the 2018 annual report. Risks that may have an impact on the forecast for business development are also described in detail in the risk report of the Quarterly Financial Report 9M 2019. Any variations from the 2018 annual report are explained in the risk and opportunity report of the Quarterly Financial Report 9M 2019. Significant risks for the Group's revenue and earnings development include in particular a slowdown in global economic and trade volume growth, a significant and lasting rise in bunker prices extending beyond the average bunker consumption price level in 2018, a sharp and persistent increase in the euro against the US dollar and a lasting reduction in the average freight rate.

The occurrence of one or more of these risks could have a substantial negative impact on the industry and, by extension, on the business development of Hapag-Lloyd in the remaining months of 2019, which could also lead to impairments on goodwill, other intangible assets and property, plant and equipment.

IMPORTANT NOTICE

The information provided in this Investor Report is based on a calculation of US dollar figures, derived from the figures published in EUR within the respective Interim or Annual Report of Hapag-Lloyd AG (available via https://www.hapag-lloyd.com/en/ir/publications/financial-report.html).

The US dollar figures presented herein have not been reviewed by auditors and are supplemental information to the respective Interim or Annual Report of Hapag-Lloyd AG for capital market participants. The respective Interim and Annual Reports of Hapag-Lloyd AG remain the prevailing and legally binding documents.

Hapag-Lloyd AG conducts its container shipping business in an international business environment in which transactions are invoiced mainly in US dollars and payment procedures are handled in US dollars. This relates not only to operating business transactions, but also to investment activities, an example being the purchase, chartering and rental of vessels and containers, as well as the corresponding financing of investments. Therefore, the functional currency of Hapag-Lloyd AG is the US dollar. However, the reporting currency of Hapag-Lloyd AG is the euro.

For reconciliation to the Interim Report 9M 2019, please find below the respective exchange rates:

- Values for 9M 2018 have been converted for Hapag-Lloyd at the average exchange rate for January to September 2018
- Values for Q3 2018 have been calculated by subtracting the H1 2018 figures from the 9M 2018 figures
- Values for H1 2018 have been converted at the respective H1 2018 exchange rates
- Values for Q2 2018 have been calculated by subtracting the Q1 2018 figures from the H1 2018 figures
- Values for 9M 2019 have been calculated at the respective 9M 2019 exchange rates
- Values for Q3 2019 have been calculated by subtracting the H1 2019 figures from the 9M 2019 figures
- Values for H1 2019 have been converted at the respective H1 2019 exchange rates
- Values for Q2 2019 have been calculated by subtracting the Q1 2019 figures from the H1 2019 figures

Exchange rates

	Closing rate			Average rate		
per EUR	**30.9.2019**	30.6.2019	30.9.2018	**9M 2019**	H1 2019	9M 2018
US dollars	1.0922	1.1383	1.1582	1.1236	1.1296	1.1950

DISCLAIMER

This report provides general information about Hapag-Lloyd AG. It consists of summary information based on a calculation of USD figures. It does not purport to be complete and it is not intended to be relied upon as advice to investors.

No representations or warranties, expressed or implied, are made as to, and no reliance should be placed on the accuracy, fairness or completeness of the information presented or contained in this report.

This report contains forward looking statements within the meaning of the 'safe harbor' provision of the US securities laws. These statements are based on management's current expectations or beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, but not limited to, future global economic conditions, market conditions affecting the container shipping industry, intense competition in the markets in which we operate, potential environmental liability and capital costs of compliance with applicable laws, regulations and standards in the markets in which we operate, diverse political, legal, economic and other conditions affecting the markets in which we operate, our ability to successfully integrate business acquisitions and our ability to service our debt requirements). Many of these factors are beyond our control.

This report is intended to provide a general overview of Hapag-Lloyd's business and does not purport to deal with all aspects and details regarding Hapag-Lloyd. Accordingly, neither Hapag-Lloyd nor any of its directors, officers, employees or advisers nor any other person makes any representation or warranty, expressed or implied, as to, and accordingly no reliance should be placed on, the fairness, accuracy or completeness of the information contained in the presentation or of the views given or implied. Neither Hapag-Lloyd nor any of its directors, officers, employees or advisors nor any other person shall have any liability whatsoever for any errors or omissions or any loss howsoever arising, directly or indirectly, from any use of this information or its contents or otherwise arising in connection therewith.

Neither the Company nor any of its affiliates, advisers or representatives make any undertaking to update any such information subsequent to the date hereof.

Each investor must conduct and rely on its own evaluation in taking an investment decision.

Recipients of this report are not to construe the contents of this summary as legal, tax or investment advice and recipients should consult their own advisors in this regard.

FINANCIAL CALENDAR 2020

FEBRUARY 2020
Publication of preliminary financial KPIs 2019

MARCH 2020
Quarterly Financial Statements and annual report 2019

MAY 2020
Publication of quarterly financial report Q1 2020

JUNE 2020
Annual general meeting

AUGUST 2020
Publication of quarterly financial report H1 2020

NOVEMBER 2020
Publication of quarterly financial report 9M 2020

IMPRINT

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