Q3 | 9M 2018

Hapag-Lloyd AG

Investor Report

1 January to
30 September 2018

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES

		Q3 2018	Q3 2017	9M 2018	9M 2017	Change
Key operating figures[1]						
Total vessels, of which		222	215	222	215	3%
Own vessels		95	105	95	105	–10%
Leased vessels		17	14	17	14	21%
Chartered vessels		110	96	110	96	15%
Aggregate capacity of vessels	TTEU	1,596	1,559	1,596	1,559	2%
Aggregate container capacity	TTEU	2,553	2,336	2,553	2,336	9%
Bunker price (MFO, average for the period)[2]	USD / t	432	299	392	300	31%
Bunker price (MDO, average for the period)[3]	USD / t	643	462	599	468	28%
Bunker price (combined MFO / MDO, average for the period)	USD / t	446	308	406	311	31%
Freight rate (average for the period)[4]	USD / TEU	1,055	1,073	1,032	1,068	–3%
Transport volume	TTEU	3,052	2,807	8,900	7,029	27%
Revenue	million USD	3,542	3,268	10,072	8,168	23%
Transport expenses[5]	million USD	2,821	2,565	8,245	6,596	25%
EBITDA[6]	million USD	457	412	972	809	20%
EBIT[6]	million USD	252	200	359	300	20%
Group profit / loss[6]	million USD	137	53	15	9	69%
Cash flow from operating activities	million USD	374	419	872	751	16%
Investment in property, plant and equipment	million USD	126	122	260	328	–21%
Key return figures[1]						
EBITDA margin (EBITDA / revenue)[6]	%	12.9	12.6	9.7	9.9	–0.2 ppt
EBIT margin (EBIT / revenue)[6]	%	7.1	6.1	3.6	3.7	–0.1 ppt
Key balance sheet figures as at 30 September[7]						
Balance sheet total	million USD	17,487	17,777	17,487	17,777	–2%
Equity	million USD	7,171	7,263	7,171	7,263	–1%
Equity ratio (equity / balance sheet total)	%	41.0	40.9	41.0	40.9	0.1 ppt
Borrowed capital	million USD	10,316	10,514	10,316	10,514	–2%
Key financial figures as at 30 September[7]						
Financial debt	million USD	7,272	7,596	7,272	7,596	–4%
Cash and cash equivalents	million USD	694	725	694	725	–4%
Net debt (financial debt – cash and cash equivalents)[8]	million USD	6,535	6,812	6,535	6,812	–4%
Gearing (net debt / equity)	%	91.1	93.8	91.1	93.8	–2.7 ppt
Liquidity reserve		1,164	1,270	1,164	1,270	–8%
Number of employees as at 30 September						
Employees at sea		2,088	1,646	2,088	1,646	27%
Employees on land		10,573	10,432	10,573	10,432	1%
Hapag-Lloyd total		12,661	12,078	12,661	12,078	5%

1 The comparison of figures refers to the prior year period 01.01. – 30.09.2017
2 MFO = Marine Fuel Oil
3 MDO = Marine Diesel Oil
4 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 been adjusted accordingly.
5 The previous year's figures have been adjusted due to the retrospective application of the rules for designation of option contracts. This improved the previous year's transport expenses by USD 1.1 million.
6 Due to the retrospective application of the provisions for designating options, the previous year's values have been adjusted. This increased the annual profit after taxes for the first nine month of 2017 by USD 1.1 million. Retained earnings as at 31 December 2017 increased by USD 0.8 million and cumulative other equity dropped by USD 1.2 million. Equity remained unchanged overall.
7 The comparison of figures refers to the balance sheet date 31.12.2017
8 Incl. Restricted Cash booked as other assets: USD 42.6 million as of 30.09.2018, USD 58.6 million as of 31.12.2017

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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 report please visit our website: https://www.hapag-lloyd.com/en/ir/publications/financial-report.html

Disclaimer: This report contains statements concerning future developments at Hapag-Lloyd. Due to market fluctuations, the development of the competitive situation, world market prices for commodities, and changes in exchange rates and the economic environment, the actual results may differ considerably from these forecasts. Hapag-Lloyd neither intends nor undertakes to update forward-looking statements to adjust them for events or developments which occur after the date of this report. UASC's Ltd. and its subsidiaries (in the following mentioned as UASC Group as well) have been included in the figures from the date control was transferred on 24 May 2017. The key figures used are therefore only comparable with the previous year to a limited extent.

This report was published on 8 November 2018.

1. HIGHLIGHTS

- Continued good volume growth: Transport volume rose by 26.6% year-on-year in the first 9 months, mainly explained by the inclusion of UASC. On a pro forma basis [1], the transport volume would have increased by 5.5% compared to the previous year
- The freight rate was USD 1,032/TEU, lower than in the previous year (9M 2017: USD 1,068/TEU [2]). This was due to the ongoing intense competition and the integration of UASC. On a pro forma basis [1], the average freight rate would have increased by 1.4% compared to the previous year
- The significant rise of USD 95 per tonne in average bunker prices [3] contributed substantially to a year-on-year increase of 51.0% in expenses for raw materials and supplies
- As such, the development of both freight rates and bunker prices was poorer than anticipated at the beginning of the year but in line with the adjusted outlook from 29 June 2018
- At 21.0%, transport expenses (excl. raw materials and supplies) [4] increased at a lower rate than the increase in transport volume
- The synergy ramp-up resulting from the integration with UASC is developing according to plan
- Positive EBITDA of USD 972.3 million in the first 9 months of 2018 (9M 2017: USD 809.1 million). EBITDA margin of 9.7% for the first 9 months of 2018 (9M 2017: 9.9%)
- EBIT of USD 359.4 million above the previous year's level (9M 2017: USD 300.0 million)
- Good operating cash flow of USD 871.7 million (9M 2017: USD 750.9 million) and a solid liquidity reserve of USD 1,164.4 million as at 30 September 2018

[1] The pro forma basis assumes that the merger with UASC occurred on 1 January 2017 and facilitates comparability with regard to the Company's performance.

[2] For the 2018 financial year, revenue for ancillary services in Latin America and Turkey was included in the calculation of freight rates. The previous year's values have been adjusted accordingly.

[3] Weighted average MFO and MDO

[4] Due to the retrospective application of the provisions for designating options, the previous year's values have been adjusted. This reduced transport expenses by USD 1.1 million in the first 9 months of 2017.

2. MAIN VALUE DRIVERS OF THE CONTAINER SHIPPING SECTOR FOR 2018

The experts at the International Monetary Fund (IMF) anticipate global economic growth of 3.7% both in 2018 and in 2019 (IMF, World Economic Outlook, October 2018). This is the same level as in 2017. Expected economic growth is therefore 0.2 percentage points lower than the last forecast (April 2018). According to the IMF, the risk of a downturn in global growth has increased in the last 6 months. This downward correction reflects lower than expected economic growth in industrialised countries in the first half of 2018. The forecast also takes account of initial negative effects of the USA's trade dispute with its trading partners. In relation to this, the IMF is also factoring in trade tariffs that were passed or put in place between April and mid-September. In addition, weaker prospects are predicted for some key developing and emerging markets, such as Brazil and Turkey, which are suffering not just as a result of domestic issues but also due to rising interest rates in the USA and the resulting outflow of capital.

The IMF's forecast from October 2018 predicts that the volume of global trade, which is key to the demand for container shipping services, will increase by 4.2% in 2018 compared with the previous year. The institute has therefore cut its forecast for a second time this year (July 2018: –0.3 percentage points; October 2018: –0.6 percentage points). Despite this clear drop in growth expectations, the predicted increases of 4.2% and 4.0% for 2018 and 2019 respectively are higher than the average level over the last 5 years. An average growth of 4.0% is expected between 2019 and 2022 (June forecast: average growth of 4.1%).

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

in %	2016	2017	**2018e**	2019e	2020e	2021e	2022e
Global economic growth	3.3	3.7	3.7	3.7	3.7	3.6	3.6
World trading volume (goods and services)	2.2	5.2	4.2	4.0	4.1	4.1	4.0

Source: IMF

Based on current forecasts, the global cargo volume could rise by 4.0% to approximately 146 million TEU in 2018 (IHS Global Insight, October 2018). The forecast global cargo volume is therefore lower than the forecast published in June 2018 (4.9%) but remains on a healthy level. For the period 2019 to 2022, IHS Global Insight is predicting annual growth of between 4.7% and 5.1% in the global container shipping volume.

Development of global container transport volume

	2016	2017	**2018e**	2019e	2020e	2021e	2022e
million TEU	133	141	146	153	161	169	170
Growth rate in %	3.1	5.5	4.0	4.9	5.1	4.8	4.7

Source: IHS Global Insight

On the supply capacity side, the expected growth for 2018 net of delayed deliveries and scrappings is at 5.7% of the total world fleet while the idle fleet is at a low level of approximately 2.3% (source: Alphaliner Weekly, Issue 41/2018) of the total world fleet at the end of September 2018. Based on the data from Drewry Container Forecaster (Issue Q3/2018) the net capacity is expected to grow on average by 4.1% of the total world fleet by between 2019 and 2022.

Global capacity development[1]

in %	2016	2017	2018e	2019e	2020e	2021e	2022e
Scheduled capacity growth	6.7	7.7	7.0	5.6	8.1	6.4	5.1
Capacity measures							
Delayed deliveries	2.1	1.9	1.0	0.6	0.8	0.0	0.0
Scrappings	3.3	2.0	0.3	1.6	2.0	1.9	2.1
Net capacity growth	1.2	3.8	5.7	3.5	5.3	4.5	3.0

[1] Rounding differences may occur
Source: Drewry, Alphaliner

The tonnage of the commissioned container ships of approximately 2.4 million TEU (MDS Transmodal, October 2018) is equivalent to around 11% of the present global container fleet's capacity (approximately 22 million TEU). 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 17%).

In the period from January to September 2018, orders were placed for the construction of 150 container ships with a transport capacity totalling approximately 1.0 million TEU (FY 2017: capacity of 0.8 million TEU [Clarksons Research, October 2018]).

More detailed information on the sector-specific conditions is available in the audited financial report of Hapag-Lloyd AG and in the latest Investor Presentation on the Hapag-Lloyd company website.

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

Structure of Hapag-Lloyd's vessel and container fleet

	30.9.2018	31.12.2017	30.9.2017
Number of vessels	**222**	**219**	**215**
Aggregate capacity of vessels (TTEU)	**1,596**	**1,573**	**1,559**
thereof			
Number of own vessels	95	102	105
Aggregate capacity of own vessels (TTEU)	906	959	972
Number of leased vessels	17	14	14
Aggregate capacity of leased vessels (TTEU)	144	105	105
Number of chartered vessels	110	103	96
Aggregate capacity of chartered vessels (TTEU)	546	509	482
Aggregate container capacity (TTEU)	**2,553**	**2,349**	**2,336**
Number of services	**118**	**120**	**125**

As at 30 September 2018, Hapag-Lloyd's fleet comprised a total of 222 container ships (31 December 2017: 219 ships). The TEU capacity of the entire Hapag-Lloyd fleet as at 30 September 2018 was 1,596,208 TEU, which was a slight increase compared to 31 December 2017 (1,573,377 TEU). The share of ships owned outright by Hapag-Lloyd was approximately 66% as at 30 September 2018 based on TEU capacity (31 December 2017: approximately 68%).

As at 30 September 2018, the average age of Hapag-Lloyd's total fleet (capacity-weighted) was 7.5 years. The average ship size within the Hapag-Lloyd Group fleet is 7,190 TEU, which is approximately 22% above the comparable average figure for the 10 largest container liner shipping companies (30 September 2018: 5,905 TEU) and around 74% above the average ship size in the global fleet (30 September 2018: 4,143 TEU).

As at 30 September 2018, Hapag-Lloyd owned or rented 1,553,963 containers (31 December 2017: 1,435,345) with a capacity of 2,553,396 TEU for shipping cargo (31 December 2017: 2,348,602 TEU). The capacity-weighted share of containers owned by the Group stood at around 51% as at 30 September 2018 and was therefore slightly lower compared to 31 December 2017 (54%).

Hapag-Lloyd's service network comprises 118 services (31 December 2017: 120 services).

4. HAPAG-LLOYD: GROUP EARNINGS POSITION

4.1 FREIGHT RATE PER TRADE

The average freight rate in the first nine months of the 2018 financial year was USD 1,032/TEU, which was USD 36/TEU, or 3.4%, down on the prior year period (USD 1,068/TEU with the UASC Group since 24 May 2017). Besides the inclusion of the UASC Group, which had a lower freight rate level overall, the main reason for the decline was the ongoing competitive market environment.

On a comparable basis (if the UASC Group had been included from 1 January 2017), the average freight rate for the prior year period would have been USD 1,017/TEU. This would have meant an increase of USD 15/TEU, or 1.4%, in the average freight rate.

Freight rate per trade [1]

USD/TEU	Q3 2018	Q2 2018	Q3 2017	QoQ change	YoY change	9M 2018	9M 2017	Change
Atlantic	1,357	1,303	1,315	4%	3%	1,318	1,298	1%
Transpacific	1,268	1,209	1,267	5%	0%	1,243	1,246	0%
Far East	948	872	993	9%	–5%	906	971	–7%
Middle East	745	767	878	–3%	–15%	765	884	–13%
Intra-Asia	519	503	615	3%	–16%	514	593	–13%
Latin America	1,119	1,090	1,111	3%	1%	1,113	1,068	4%
EMAO (Europe, Mediterranean, Africa, Oceania)	1,134	1,077	1,126	5%	1%	1,098	1,065	3%
Total	**1,055**	**1,010**	**1,073**	**4%**	**–2%**	**1,032**	**1,068**	**–3%**

[1] 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 been adjusted accordingly.

4.2 TRANSPORT VOLUME PER TRADE

With the inclusion of the UASC Group and its balanced positioning in all trades, Hapag-Lloyd was able to increase its transport volume by 1,871 TTEU to 8,900 TTEU (prior year period: 7,029 TTEU with the UASC Group since 24 May 2017), representing a rise of 26.6%. On a comparable basis (if the UASC Group had been included from 1 January 2017), the transport volume (prior year period: 8,438 TTEU) in the first nine months of 2018 would have increased by 462 TTEU, or 5.5%.

Transport volume per trade[1]

TTEU	Q3 2018	Q2 2018	Q3 2017	QoQ change	YoY change	9M 2018	9M 2017	Change
Atlantic	468	475	436	–1%	7%	1,382	1,254	10%
Transpacific	520	484	465	8%	12%	1,459	1,254	16%
Far East	557	525	503	6%	11%	1,601	1,040	54%
Middle East	361	379	349	–5%	3%	1,115	675	65%
Intra-Asia	259	267	259	–3%	0%	783	597	31%
Latin America	720	689	649	4%	11%	2,072	1,812	14%
EMAO (Europe, Mediterranean, Africa, Oceania)	167	168	147	–1%	14%	488	397	23%
Total	**3,052**	**2,987**	**2,807**	**2%**	**9%**	**8,900**	**7,029**	**27%**

[1] Rounding differences may occur

4.3 REVENUE PER TRADE

The Hapag-Lloyd Group's revenue rose by USD 1,903.8 million to USD 10,071.5 million in the first 9 months of 2018 (prior year period: USD 8,167.7 million with the UASC Group since 24 May 2017), representing an increase of 23.3%. This was primarily due to the growth in transport volumes as a result of incorporating the UASC Group.

Revenue per trade[1, 2]

million USD	Q3 2018[3]	Q2 2018[3]	Q3 2017	QoQ change	YoY change	9M 2018	9M 2017	Change
Atlantic	635.3	618.6	573.1	3%	11%	1,821.4	1,627.6	12%
Transpacific	659.9	584.5	588.5	13%	12%	1,813.4	1,562.1	16%
Far East	528.2	457.2	499.7	16%	6%	1,451.0	1,009.7	44%
Middle East	269.0	290.8	306.3	–7%	–12%	853.4	596.5	43%
Intra-Asia	134.4	134.2	159.5	0%	–16%	402.9	354.4	14%
Latin America	805.4	751.5	720.7	7%	12%	2,305.9	1,936.0	19%
EMAO (Europe, Mediterranean, Africa, Oceania)	189.1	181.3	165.2	4%	14%	535.6	423.0	27%
Other	320.5	294.4	255.0	9%	26%	887.9	658.4	35%
Total	**3,541.8**	**3,312.5**	**3,268.0**	**7%**	**8%**	**10,071.5**	**8,167.7**	**23%**

[1] Rounding differences may occur

[2] 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 been adjusted accordingly.

[3] The mapping of items to revenue and charter expenses (transport expenses) has been adjusted for the first half of 2018, which led to a decrease of both positions in the amount of USD 39.0 million. This change has no impact on the result.

4.4 CONSOLIDATED INCOME STATEMENT

Consolidated income statement

million USD	Q3 2018[2]	Q2 2018[2]	Q3 2017	QoQ change	YoY change	9M 2018	9M 2017	Change
Revenue	**3,541.8**	**3,312.5**	**3,268.0**	**7%**	**8%**	**10,071.5**	**8,167.7**	**23%**
Other operating income	28.1	11.8	29.1	138%	–3%	84.0	143.4	–41%
Transport expenses[1]	–2,821.0	–2,776.4	–2,564.8	2%	10%	–8,245.3	–6,596.4	25%
Personnel expenses	–181.3	–183.8	–204.2	–1%	–11%	–571.1	–577.5	–1%
Depreciation, amortisation and impairment	–205.4	–203.8	–212.5	1%	–3%	–612.9	–509.1	20%
Other operating expenses	–130.5	–127.8	–130.8	2%	0%	–405.8	–363.0	12%
Operating result[1]	**231.7**	**32.5**	**184.8**	**n.m.**	**25%**	**320.4**	**265.1**	**21%**
Share of profit of equity-accounted investees	8.0	8.8	14.5	–9%	–45%	26.7	34.4	–22%
Other financial result	12.3	0.0	0.3	0%	n.m.	12.3	0.5	n.m.
Earnings before interest and tax (EBIT)[1]	**252.0**	**41.3**	**199.6**	**n.m.**	**26%**	**359.4**	**300.0**	**20%**
Interest result	–101.6	–107.8	–139.2	–6%	–27%	–310.7	–271.2	15%
Income taxes	–13.2	–13.6	–7.0	–3%	89%	–33.8	–20.0	69%
Group profit/loss[1]	**137.2**	**–80.1**	**53.4**	**–271%**	**157%**	**14.9**	**8.8**	**69%**

[1] Due to the retrospective application of the provisions for designating options, the previous year's values have been adjusted. This increased the annual profit after taxes for the first nine months of 2017 by USD 1.1 million.

[2] The mapping of items to revenues and charter expenses (transport expenses) has been adjusted for the first half of 2018, which led to a decrease of both positions in the amount of USD 39.0 million. This change has had no impact on the result.

Other operating income decreased by USD 59.4 million to USD 80.4 million in the first 9 months of 2018 compared to the respective prior year period (USD 143.4 million). The main reason for this was the negative difference of USD 52.3 million in the 2017 financial year, which resulted from the former purchase price allocation in accordance with IFRS 3 as part of the acquisition of the UASC Group and which was recognised in earnings in the corresponding prior year period in 2017.

Personnel expenses decreased by USD 6.4 million in the first nine months of 2018 to USD 571.1 million (prior year period: USD 577.5 million). The main reason for this decline was the one-off expenses in the amount of USD 41.6 million recorded in the previous year from the operational integration of the UASC Group's business activities. These expenses were not incurred in the current financial year. In addition, exchange rate gains at the balance sheet date resulting from the valuation of pension provisions in the amount of USD 6.6 million (prior year period: exchange rate losses of USD –15.3 million) had a positive effect. In contrast, higher salary costs for additional UASC staff increased the personnel expenses in the first nine months of 2018.

Depreciation and amortisation came to USD 612.9 million in the first nine months of the 2018 financial year (prior year period: USD 509.1 million). The year-on-year increase in depreciation and amortisation was primarily due to the first-time inclusion of the UASC Group as well as depreciation of the newly built ships acquired in 2017.

The increase in the other financial result to USD 12.3 million in the current reporting period is due to the recognition of a gain of EUR 12.2 million from the measurement of shares at fair value as at 30 September 2018 due to the sale of the shares after the balance sheet date.

The interest result for the first nine months of the 2018 financial year was USD –310.7 million (prior year period: USD –271.2 million). The rise in interest expenses was primarily due to the financial debt assumed as a result of incorporating the UASC Group. By contrast, interest expenses fell compared with the previous year due to one-off effects recognised in 2017 resulting from the early redemption of bonds in the amount of USD 19.3 million.

The Group recorded a profit of 14.9 million in the first nine months of the 2018 financial year (prior year period: profit of USD 8.8 million).

4.5 TRANSPORT EXPENSES

Transport expenses rose by USD 1,648.9 million in the first nine months of 2018 to USD 8,245.3 million (prior year period: USD 6,596.4 million). This represents an increase of 25.0% that is primarily due to the acquisition of the UASC group and the relating growth in transport volume as well as increased bunker prices. The increase in the expenses for raw materials and supplies of USD 480.9 million (+51%) to USD 1,428.6 million primarily results from the significantly higher bunker price in the current reporting period. In the reporting period, the average bunker consumption price for Hapag-Lloyd was USD 406 per tonne, up USD 95 per tonne on the figure of USD 311 per tonne for the prior year period.

In the first nine months of 2018, the cost of purchased services rose by USD 1,168.0 million (+21%) which is a lower %-increase compared to revenue growth (+23%). This is a reflection of the rise in transport volumes and, in particular, the inclusion of the UASC Group as well as increased other operating cost items. By contrast, the latter were partly offset by synergy effects resulting from the incorporation of the UASC Group.

Transport expenses[1]

million USD	Q3 2018	Q2 2018	Q3 2017	QoQ change	YoY change	9M 2018	9M 2017	Change
Expenses for raw materials and supplies	510.6	489.7	364.4	4%	40%	1,428.6	947.7	51%
Cost of purchased services	2,310.4	2,286.7	2,200.4	1%	5%	6,816.7	5,648.7	21%
thereof								
Port, canal and terminal costs	1,176.4	1,215.7	1,099.7	–3%	7%	3,573.8	2,761.9	29%
Chartering, leases and container rentals[2]	314.1	287.7	308.8	9%	2%	872.1	805.2	8%
Container transport costs	755.5	763.7	702.6	–1%	8%	2,209.4	1,857.7	19%
Maintenance/repair/other	64.4	19.6	89.3	229%	–28%	161.4	223.9	–28%
Transport expenses	**2,821.0**	**2,776.4**	**2,564.8**	**2%**	**10%**	**8,245.3**	**6,596.4**	**25%**

[1] The previous year's figures have been adjusted due to the retrospective application of the rules for designation of option contracts. This improved the previous year's transport expenses by USD 1.1 million.

[2] The mapping of items to revenues and charter expenses (transport expenses) has been adjusted for the first half of 2018, which led to a decrease of both positions in the amount of USD 39.0 million. This change has had no impact on the result.

Transport expenses per unit decreased by 1% in the first nine months of 2018 compared to the prior year period. Higher expenses for raw materials and supplies (+ USD 25.7 / TEU, +19% as compared to the prior year period) were offset by savings in costs for purchased services (– USD 37.8 / TEU, –5% as compared to the prior year period) as a result of the cost-cutting programmes and synergies from the UASC integration.

Quarter on quarter, unit costs for raw materials and supplies increased by USD 3.3 / TEU (+2%) due to an increase in bunker costs. Costs for chartering, leases and container rentals have increased by USD 26.6 / TEU (+9.2%). The increase of costs for maintenance, repair and other by USD 14.5 / TEU is mainly explained by currency effects.

Transport expenses per TEU [1, 2]

USD / TEU	Q3 2018	Q2 2018	Q3 2017	QoQ change	YoY change	9M 2018	9M 2017	Change
Expenses for raw materials and supplies	167.3	164.0	129.8	2%	29%	160.5	134.8	19%
Cost of purchased services	756.9	765.6	783.8	–1%	–3%	765.9	803.7	–5%
thereof								
Port, canal and terminal costs	385.4	407.0	391.7	–5%	–2%	401.5	392.9	2%
Chartering, leases and container rentals [3]	102.9	96.3	110.0	7%	–6%	98.0	114.6	–14%
Container transport costs	247.5	255.7	250.3	–3%	–1%	248.2	264.3	–6%
Maintenance / repair / other	21.1	6.6	31.8	222%	–34%	18.1	31.9	–43%
Transport expenses	**924.2**	**929.6**	**913.6**	**–1%**	**1%**	**926.4**	**938.5**	**–1%**

[1] Rounding differences may occur

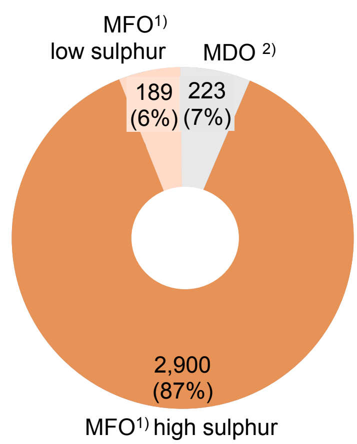
[2] The previous year's figures have been adjusted due to the retrospective application of the rules for designation of option contracts. This improved the previous year's transport expenses by USD 1.1 million.

[3] The mapping of items to revenues and charter expenses (transport expenses) has been adjusted for the first half of 2018, which led to a decrease of both positions in the amount of USD 39.0 million. This change has had no impact on the result.

Bunker consumption development

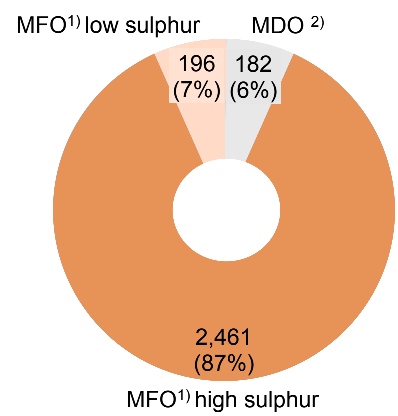
Bunker consumption totalled approximately 3.3 million tonnes in the first nine months of 2018 (9M 2017, including UASC Group for four months: 2.8 million tonnes). Around 13% (H1 2017, including UASC Group for one month: approximately 13%) of this comprised bunker with a lower proportion of sulphur (MFO low sulphur, MDO). Based on the total transport volume, the bunker consumption per TEU amounted to 0.37 metric tonnes (9M 2017, including UASC Group for 4 months: 0.40 metric tonnes per TEU).

9M 2018 [k mt]



∑ = 3,312

9M 2017 [k mt]



∑ = 2,839

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

Rounding differences may occur

4.6 EARNINGS POSITION

The earnings before interest and taxes (EBIT) amounted to USD 359.4 million in the current reporting period. They were therefore higher by USD 59.4 million on the corresponding figure in the prior year period (USD 300.0 million). The earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at USD 972.3 million in the first 9 months of the 2018 financial year (prior year period: USD 809.1 million).

EBIT and EBITDA margin[1]

million USD	Q3 2018	Q2 2018	Q3 2017	QoQ change	YoY change	9M 2018	9M 2017	Change
Revenue	3,541.8	3,312.5	3,268.0	7%	8%	10,071.5	8,167.7	23%
EBIT	252.0	41.3	199.6	n,m,	26%	359.4	300.0	20%
EBITDA	457.4	245.1	412.1	87%	11%	972.3	809.1	20%
EBIT margin	7.1%	1.2%	6.1%	5.9 ppt	1.0 ppt	3.6%	3.7%	–0.1 ppt
EBITDA margin	12.9%	7.4%	12.6%	5.5 ppt	0.3 ppt	9.7%	9.9%	–0.2 ppt

[1] Due to the retrospective application of the provisions for designating options, the previous year's values have been adjusted.

5. GROUP NET ASSET POSITION

Group net asset position

million USD	30.9.2018	31.12.2017	30.9.2017
Assets			
Non-current assets	14,775.6	15,146.1	15,331.2
of which fixed assets	14,689.7	15,071.1	15,080.4
Current assets	2,711.8	2,630.8	3,355.3
of which cash and cash equivalents	694.4	725.2	1,442.7
Total assets	**17,487.4**	**17,776.9**	**18,686.5**
Equity and liabilities			
Equity	7,171.3	7,263.3	6,829.0
Borrowed capital	10,316.1	10,513.6	11,857.5
of which non-current liabilities	6,724.2	7,197.8	7,931.7
of which current liabilities	3,591.9	3,315.8	3,925.8
of which financial debt	7,272.1	7,595.5	8,768.0
thereof			
Non-current financial debt	6,310.0	6,750.6	7,500.3
Current financial debt	962.1	844.9	1,267.7
Total equity and liabilites	**17,487.4**	**17,776.9**	**18,686.5**

As at 30 September 2018, the Group's balance sheet total was USD 17,487.4 million, which is USD 289.5 million lower than the figure at the end of 2017 (USD 17,776.9 million).

Within non-current assets, the carrying amounts of fixed assets decreased by a total of USD 381.4 million to USD 14,689.7 million. This decline was essentially due to depreciation totalling USD 612.9 million reducing the value of fixed assets. This effect was partly offset by investments in the amount of USD 263.2.

Current assets rose by USD 81.0 million to USD 2,711.8 million compared to the level as at 31 December 2017. The change primarily resulted from an increase in trade accounts receivable, including the contract assets which must be recognised separately since 1 January 2018, and from increased inventories. These developments were countered by the lower market values of derivative financial assets.

Cash and cash equivalents of USD 694.4 million decreased by USD 30.8 compared with the end of 2017 (USD 725.2 million).

On the liabilities side, equity (including non-controlling interests) sank by USD 92.0 million to a total of USD 7,171.3 million. Main reason for the decrease was the dividend distribution by Hapag-Lloyd AG approved at the Annual General Meeting on 10 July 2018 in the amount of USD 117.3 million. The Group profit of USD 14.9 million had an opposing effect. The equity ratio of 41.0% as at 30 September in the current financial year was almost unchanged (31 December 2017: 40.9%).

The Group's borrowed capital has decreased by USD 197.5 million to USD 10,316.1 million since 31 December 2017 and financial debt fell by USD 323.4 million to USD 7,272.1 million. This decrease is largely due to capital repayments of USD 1,021.5 million. Proceeds amounting to USD 733.7 million from new container financing and increases in existing financing had an offsetting effect.

For further information on significant changes to specific balance sheet items and on the extent of the investment obligations, please refer to the Notes of the audited Quarterly Financial Report 9M 2018 on the Hapag-Lloyd company website.

6. GROUP FINANCIAL POSITION

6.1 DEVELOPMENTS IN CASH AND CASH EQUIVALENT

Development of liquidity reserve

million USD	Q3 2018	Q3 2017	9M 2018	9M 2017
Cash and cash equivalents beginning of the period	643.0	859.6	725.0	602.0
Unused credit lines beginning of the period	520.0	460.0	545.0	200.0
Liquidity reserve beginning of the period	**1,163.0**	**1,319.6**	**1,270.0**	**802.0**
EBITDA	457.4	416.0	972.3	809.1
Working capital	–35.2	–17.5	–11.0	–26.3
Others	–48.3	20.4	–89.6	–31.9
Operating cash flow	**373.9**	**418.9**	**871.7**	**750.9**
Investments	–178.3	–115.3	–303.6	–316.9
thereof vessel	–15.4	–67.3	–54.9	–260.5
thereof container	–156.6	–45.7	–235.6	–47.5
thereof other	–6.3	–2.3	–13.1	–8.9
Cash received from acquisitions	–0.3	–7.3	0.0	400.1
Disinvestments	12.1	17.6	43.0	20.9
Dividends received	0.1	1.0	39.6	31.3
Investing cash flow	**–166.4**	**–104.0**	**–221.0**	**135.4**
Capital increase	0.3	0.0	0.3	0.0
Payments for capital increase	0.0	–0.7	–2.4	–0.8
Payments made from changes in ownership interests	0.0	0.0	0.0	–0.3
Debt intake	535.8	806.7	733.7	1,790.8
Debt repayment	–444.2	–441.2	–1,021.5	–1,569.3
Dividends paid	–121.1	–1.9	–133.4	–3.6
Interest	–112.7	–102.9	–295.4	–236.6
Payments made from hedges for financial debts	–18.5	4.0	21.2	–1.2
Change in restricted cash	4.3	4.0	16.0	–25.0
Financing cash flow	**–156.1**	**268.0**	**–681.5**	**–46.0**
Changes due to exchange rate fluctuations	0.1	0.2	0.0	0.3
Liquidity reserve end of the period	**1,164.4**	**1,902.7**	**1,164.4**	**1,902.7**
Cash and cash equivalents end of the period	694.4	1,442.7	694.4	1,442.7
Unused credit lines end of the period	470.0	460.0	470.0	460.0

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of USD 871.7 million in the first nine months of the 2018 financial year (prior year period: USD 750.9 million).

Cash flow from investing activities

The cash outflow from investing activities totalled USD 221.0 million (prior year period: cash inflow of USD 135.4 million) and related to payments for investments of USD 303.6 million, primarily in containers and ship equipment. This contrasted with cash inflows from the proceeds from dividends (USD 39.6 million) and the sale of property, plant and equipment and of the ocean-going vessels held for sale as at 31 December 2017 totalling USD 43.0 million. The main change in the cash flow from investing activities compared with the previous year related to the net cash inflow of USD 400.1 million in the third quarter of 2017 from the acquisition of the UASC Group.

Cash flow from financing activities

Overall, there was a cash outflow from financing activities in the current reporting period in the amount of USD 681.5 million (prior year period: USD 46.0 million) which mainly comprised interest and redemption payments of USD 1,316.9 million (prior year period: USD 1,805.9 million) and dividend pay-outs of USD 133.4 million, including the dividend distribution by Hapag-Lloyd AG approved at the Annual General Meeting on 10 July 2017. This contrasted with cash inflows of USD 733.7 million (prior year period: USD 1,790.8 million) which essentially related to new borrowing for containers (USD 226.0 million), cash inflows from the conversion of ship financing (USD 240.0 million) and increases in existing financing. There were also cash inflows from the realisation of derivative financial instruments used to hedge financial debt in the amount of USD 21.2 million.

6.2 FINANCIAL POSITION

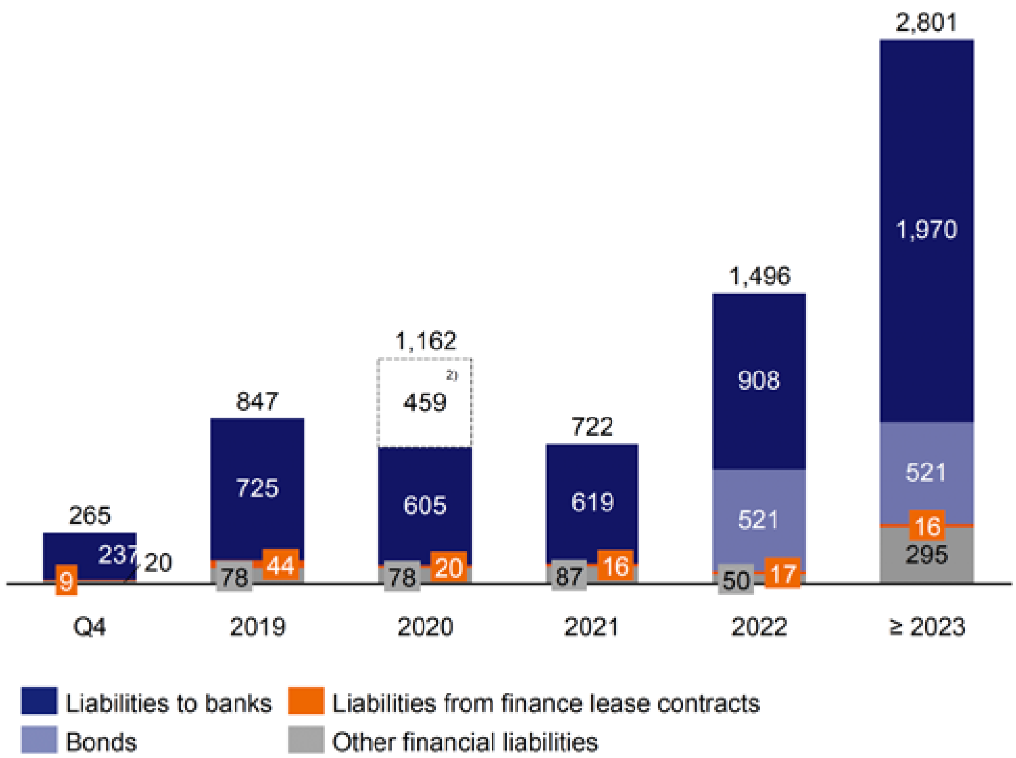
The Group's net debt amounted to USD 6,535.1 million as at 30 September 2018 (31 December 2017: USD 6,811.7 million). The equity ratio of 41.0% was almost unchanged compared with 31 December 2017. Gearing – the ratio of net debt to balance sheet equity – decreased from 93.8% at the end of 2017 to 91.1% as at 30 September 2018

Restricted cash and cash equivalents in the amount of USD 42.6 million (31 December 2017: USD 58.6 million) essentially comprise cash and cash equivalents which are deposited as collateral for existing financial debt on pledged accounts.

Financial solidity

million USD	30.9.2018	31.12.2017	30.9.2017
Financial debt	7,272.1	7,595.5	8,768.0
Cash and cash equivalents	694.4	725.2	1,442.7
Restricted Cash	42.6	58.6	67.7
Net debt	**6,535.1**	**6,811.7**	**7,257.6**
Unused credit lines	470.0	545.0	460.0
Liquidity reserve	**1,164.4**	**1,270.2**	**1,902.7**
Equity	7,171.3	7,263.3	6,829.0
Gearing (net debt/equity)	**91.1%**	**93.8%**	**106.3%**
Equity ratio	**41.0%**	**40.9%**	**36.5%**

Financial debt profile (million USD) [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 30.09.2018 consist of transaction costs and accrued interest

2) ABS program prolongated until 2020

The total repayment amount of USD 7,293.2 million is categorized between (1) liabilities to banks, (2) bonds, (3) liabilities from finance lease 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 459 million), a revolving line collateralized by receivables.

Hapag-Lloyd had two bonds outstanding as per 30 June 2018: EUR 450 million 6.75% Senior Notes due February 2022 and EUR 450 million 5.125% Senior Notes due July 2024.

7. EVENTS AFTER THE BALANCE SHEET DATE

On 16 October 2018 the board decided to accept the binding offer by a third party to acquire all shares in an investment held by Hapag-Lloyd AG and UASC Ltd. The relevant agreements were signed on 17 October 2018. The closing is expected until year-end.

8. REVISED OUTLOOK

Although the forecast volume of global trade and the demand for container transport services have weakened, the container shipping industry's growth prospects remain intact in the medium term. The statements made on this subject in the "Outlook" section of the Group management report for 2017 therefore remain valid.

A summary of the most important external factors is given below.

In its latest economic outlook (October 2018), the International Monetary Fund (IMF) expects global economic growth to reach 3.7% in the current year. As such, expected economic growth is down by 0.2 percentage points on the previous forecast (April 2018). Based on the current forecast, the global economy will therefore grow in 2018 at the same pace as in the previous year (+3.7%). According to the IMF, the volume of global trade, which is key to the demand for container shipping services, will increase by 4.2% in 2018 (2017: +5.2%). Despite a reduction of 0.6 percentage points compared with the last forecast published (April 2018), the volume of global trade will grow faster than the global economy in 2018 as well. IHS Global Insight (October 2017) is forecasting that the global container shipping volume will increase by 4.0% to approximately 146 million TEU in 2018 (2017: 5.5%). As such, the expected rise in worldwide transport volumes in container shipping for 2018 would be in line with the rate of growth for global trade.

Following a rise in transport capacities (following scrapping and delays in deliveries) of approximately 0.8 million TEU to 20.8 million TEU in 2017, Drewry forecasts net growth in transport capacities of up to approximately 1.2 million TEU for the current year. The anticipated significant rise, caused by the relatively high number of deliveries of large vessels, could have a dampening effect on the freight rate development in the remaining months of the 2018 financial year.

Hapag-Lloyd is expecting a clear increase in its transport volume in 2018 – explained in part by the inclusion of UASC's business activities for the whole year. The UASC Group will be included in the consolidated financial statements of Hapag-Lloyd AG for a full 12 months for the first time in 2018 (previous financial year: inclusion of the UASC Group from 24 May 2017). This will involve – in addition to the clear rise in volume – a higher proportion of volumes in the Middle East and Far East trades when calculating the average freight rate. These trades have a lower freight rate level than some of Hapag-Lloyd's other trades.

Taking into consideration the general recovery of freight rates already visible in the second half of the year caused by seasonal effects, Hapag-Lloyd's average freight rate in 2018 is likely to be around the same as in the previous year.

Based on developments in the first 5 months of the 2018 financial year, the Executive Board of Hapag-Lloyd AG decided on 29 June 2018 to refine its outlook for the Group's EBIT and EBITDA in the current 2018 financial year based on a range as follows:

Key benchmark figures for the 2018 outlook

	Previous outlook	**Revised outlook**
EBITDA (Earnings before interest, taxes, depreciation and amortisation)	Increasing clearly	EUR 900 – 1,150 m
EBIT (Earnings before interest and taxes)	Increasing clearly	EUR 200 – 450 m

The reasons for adjusting the forecast were the unpredictably sharp increase in operating costs, in particular with regard to fuel costs and charter rates, combined with a slower than anticipated recovery in freight rates ahead of the peak season.

The ranges chosen were reflective of both the generally volatile market environment in the shipping industry and the high degree of sensitivity of the earnings indicators with regard to changes in the average freight rate. Neither positive nor negative one-time-effects have been taken into account.

Due to the business developments in the third quarter of 2018 and a general recovery in freight rates during the peak season, it can be assumed at present that Group EBIT and Group EBITDA will be in the upper part of the guided ranges.

Not accounted for here are impairments on goodwill, other intangible assets and property, plant and equipment. Although not expected at present, these adjustments cannot be ruled out given current geopolitical developments and market price risks.

The key benchmark figures for the 2018 outlook are contained in the following table:

Key benchmark figures for the 2018 outlook

Global economic growth (IMF)	3.7%
Increase in global trade (IMF)	4.2%
Increase in global container transport volume (IHS)	4.0%
Transport volume, Hapag-Lloyd Group	Increasing clearly
Average bunker consumption price, Hapag-Lloyd Group	Increasing clearly
Average freight rate, Hapag-Lloyd Group	On previous years level
EBITDA (Earnings before interest, taxes, depreciation and amortisation)	EUR 900 – 1,150 m
EBIT (Earnings before interest and taxes)	EUR 200 – 450 m

The key benchmark figures for the 2018 outlook, which relate to transport volume, the average bunker consumption price and the average freight rate therefore remain unchanged on the forecast published in the 2017 annual report.

Business developments at Hapag-Lloyd are subject to far-reaching risks in an industry environment dominated by volatile freight rates and stiff competition. Significant risks for the Group's revenue and earnings development include a further sharp slowdown in global economic and trade volume growth, a sustained, significant and lasting rise in bunker prices extending beyond the level seen as at 30 September 2018, a renewed sharp and lasting increase in the euro against the US dollar and a stagnation or even a renewed reduction in freight rates. Additional risks could result from the further consolidation of the industry and its possible impact on Hapag-Lloyd's competitive position as well as from the changes in the composition of global alliances.

The occurrence of one or more of these risks could have a substantial negative impact on the industry and, by extension, on the further business development of Hapag-Lloyd in the remaining months of 2018, which could also lead to impairments on goodwill, other intangible assets and property, plant and equipment.

IMPORTANT NOTICE

With the incorporation of the UASC Group into the Hapag-Lloyd Group as at 24 May 2017, 96 fully consolidated companies and five equity-accounted investees were included in the group of consolidated companies.

As such, the net asset, financial and earnings position figures for the first 9 months of 2018 can only be compared with those of previous year's period to a limited extent.

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 2018, please find below the respective exchange rates:

- Values for Q3 2017 have been calculated by subtracting the H1 2017 figures from the 9M 2017 figures
- Values for 9M 2017 have been converted for Hapag-Lloyd (excl. UASC) at the average exchange rate for January to September 2017 and for UASC since consolidation 24 May 2017 at the average exchange rate for June to September 2017.
- Values for Q2 2017 have been calculated by subtracting the Q1 2017 figures from the H1 2017 figures
- 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 H1 2018 have been converted at the respective H1 2018 exchange rates

Exchange rates

	Closing rate			Average rate					
						HLAG AG	UASC Group	HLAG AG	UASC Group
per EUR	**30.9.2018**	30.6.2018	30.9.2017	**9M 2018**	H1 2018	9M 2017	Jun – Sep 17	H1 2017	Juni 17
US dollars	1.1582	1.1641	1.1165	1.1950	1.2109	1.1133	1.1620	1.0826	1.1237

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.

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

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PRELIMINARY FINANCIAL CALENDAR 2019

March 2019
Publication of annual financial statements and annual report 2018

May 2019
Publication of quarterly financial report Q1 2019

August 2019
Publication of half-year financial report H1 2019

November 2019
Publication of quarterly financial report 9M 2019

IMPRINT

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