

Q4 | FY 2018

Hapag-Lloyd AG

Investor Report

1 January to
31 December 2018

SUMMARY OF HAPAG-LLOYD KEY FIGURES

		Q4 2018	Q4 2017	FY 2018	FY 2017	Change
Key operating figures						
Total vessels, of which		227	219	227	219	4%
Own vessels		95	102	95	102	-7%
Leased vessels		17	14	17	14	21%
Chartered vessels		115	103	115	103	12%
Aggregate capacity of vessels	TTEU	1,643	1,573	1,643	1,573	4%
Aggregate container capacity	TTEU	2,559	2,349	2,559	2,349	9%
Bunker price (MFO, average for the period) ¹	USD / t	452	325	407	307	33%
Bunker price (MDO, average for the period) ²	USD / t	664	501	616	478	29%
Bunker price (combined MFO/MDO, average for the period)	USD / t	467	338	421	318	32%
Freight rate (average for the period) ³	USD / TEU	1,079	1,038	1,044	1,060	-1%
Transport volume	TTEU	2,974	2,774	11,874	9,803	21%
Revenue	million USD	3,534	3,119	13,605	11,286	21%
Transport expenses ⁴	million USD	2,857	2,442	11,102	9,038	23%
EBITDA ⁵	million USD	372	390	1,345	1,199	12%
EBIT ⁵	million USD	164	167	524	467	12%
Group profit/loss ⁵	million USD	39	27	54	36	51%
Cash flow from operating activities	million USD	396	269	1,268	1,020	24%
Investment in property, plant and equipment	million USD	165	191	425	519	-18%
Key return figures						
EBITDA margin (EBITDA/revenue) ⁵	%	10.5	12.5	9.9	10.6	-0.7 ppt
EBIT margin (EBIT/revenue) ⁵	%	4.6	5.3	3.8	4.1	-0.3 ppt
Key balance sheet figures as at 31 December						
Balance sheet total	million USD	17,522	17,777	17,522	17,777	-1%
Equity	million USD	7,168	7,263	7,168	7,263	-1%
Equity ratio (equity/balance sheet total)	%	40.9	40.9	40.9	40.9	0,0 ppt
Borrowed capital	million USD	10,354	10,514	10,354	10,514	-2%
Key financial figures as at 31 December						
Financial debt	million USD	6,891	7,596	6,891	7,596	-9%
Cash and cash equivalents	million USD	752	725	752	725	4%
Net debt (financial debt – cash and cash equivalents) ⁶	million USD	6,131	6,812	6,131	6,812	-10%
Gearing (net debt/equity)	%	85.5	93.8	85.5	93.8	-8.2 ppt
Net debt/EBITDA		4.6x	5.7x	4.6x	5.7x	-1,1x
Liquidity reserve	million USD	1,297	1,270	1,297	1,270	2%
Number of employees as at 31 December						
Employees at sea		2,077	2,136	2,077	2,136	-3%
Employees on land		10,688	10,431	10,688	10,431	2%
Hapag-Lloyd total		12,765	12,567	12,765	12,567	2%

¹ MFO = Marine Fuel Oil

² MDO = Marine Diesel Oil

³ 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 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 0.7 million.

⁵ 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 FY 2017 by USD 0.7 million. Retained earnings as at 31 December 2017 increased by USD 1.2 million and cumulative other equity declined by USD 1.2 million. Total equity remained unchanged.

⁶ Incl. Restricted Cash booked as other assets: USD 7.4 million as of 31 December 2018, USD 58.6 million as of 31 December 2017

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>

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1. HIGHLIGHTS

- New mid-term “Strategy 2023” launched on 21 November 2018
- Strong competitive position following the successful integration of the UASC Group
- Synergy target of USD 435 million achieved ahead of time by end of 2018
- Transport volume grew strongly by 21.1% in 2018, primarily as a result of the integration of UASC. On a pro forma basis¹, the transport volume would have increased by 5.9% compared to the previous year
- The average freight rate in 2018 of USD 1,044 / TEU was 1.5% below the previous year’s level (2017: USD 1,060 / TEU)², due to the integration of UASC. On a pro forma basis¹, the average freight rate would have increased by 2.1% compared to the previous year
- The significant rise of USD 103 per tonne in the average bunker prices³ contributed substantially to a year-on-year increase of 49.5% in expenses for raw materials and supplies
- At 18.2%, transport expenses (excl. bunker costs)⁴ increased at a slightly lower rate than the increase in transport volume (21.1%)
- Clear increase in EBITDA to USD 1,344.7 million (2017: USD 1,198.8 million) and EBIT to USD 523.5 million (2017: USD 466.8 million) in 2018
- Good operating cash flow of USD 1,267.7 million and Net Debt substantially decreased by USD 680.4 million to USD 6,131.3 million as at 31 December 2018 (31 December 2017: USD 6,811.7 million)

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 0.7 million in FY 2018.

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

The pace at which the global economy grows and, by extension, at which global trade expands is a significant factor that influences demand for container shipping services and thus the development of the container shipping companies' cargo volumes. According to the International Monetary Fund (IMF, World Economic Outlook, January 2019), the global economy grew by 3.7% in 2018 (previous year: 3.8%). In its latest economic outlook, the IMF expects a global economic growth of 3.5% in 2019 and 3.6% in 2020.

Global economic growth was therefore slightly below the original prediction of 3.9% for 2018 (IMF, World Economic Outlook, January 2018). According to the IMF, the risk of a downturn in global growth increased during the year. This downward correction reflects lower than expected economic growth in industrialised countries in the first half of 2018. First negative effects of the USA's trade dispute with its trading partners were also becoming evident. In addition, economic conditions deteriorated in some key developing and emerging markets, such as Brazil and Turkey, which were 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.

According to the IMF, the volume of global trade, which is key to the demand for container shipping services, grew by 4.0% in 2018 (previous year: 5.3%) and is forecast to increase by 4.0% in both 2019 and 2020. This means that global trade outpaced the global economy in 2018 and is likely to do so again in 2019 and 2020. At the beginning of 2018, the IMF forecast growth in world trade volume of 4.6%. In the course of the year, the IMF initially raised its forecast and then lowered it twice during the year (April 2018: +0.5 percentage points; July 2018: -0.3 percentage points; October 2018: -0.6 percentage points) and a further time in January 2019 by -0.2 percentage points. Reasons were the deteriorating operating environment for international trade, mainly as a result of the USA's trade conflict with its trading partners, in particular China but also the EU. In addition sector specific factors such as new emission standards for the automobile industry lead to a slight deceleration in global trade growth. Despite this clear drop in growth expectations, the predicted growth of 4.0% in both 2019 and 2020 is higher than the average level over the last 5 years (3.5%).

Development of global container transport volume

in %	2016	2017	2018	2019e	2020e	2021e	2022e
Global economic growth	3.3	3.8	3.7	3.5	3.6	3.6	3.6
World trading volume (goods and services)	2.2	5.3	4.0	4.0	4.0	3.9	3.8

Source: IMF, January 2019

According to IHS Global Insight, the global cargo volume in 2018 was around 146 million TEU. This is a rise of 4.0% on the previous year (IHS Global Insight, January 2019). As a result, the growth rate was 0.9 percentage points below the increase of 4.9% originally forecast for 2018 (IHS Global Insight, November 2017). For 2019 IHS Global Insight is forecasting a rise of 4.7% and for 2020 an increase of 4.9% to around 161 million TEU.

Development of global container transport volume

	2016	2017	2018	2019e	2020e	2021e	2022e
million TEU	133	141	146	153	161	168	176
Growth rate in %	3.1	5.6	4.0	4.7	4.9	4.8	4.7

Rounding differences may occur

Source: IHS Global Insight, January 2019

At the end of 2018, the aggregate capacity of the global container ship fleet was approximately 21.9 million TEU (Drewry Container Forecaster Q4 2018, December 2018), a rise of 5.4% on the previous year. Based on the container ships on order and planned deliveries, the globally available transport capacity should see an increase of around 0.5 million TEU in 2019 (+2.5%) (Drewry Container Forecaster Q4 2018, December 2018). This includes the expected delays of deliveries in 2019 and the expected scrapping. While the scrapping of old ships was at a very low level of approximately 100 TTEU in 2018, scrapping is expected to increase to around 450 TTEU in 2019. The idle fleet consisted of 205 ships with a capacity of around 0.6 million TEU at the end of 2018. The majority of the idle fleet comprised smaller ship sizes of up to 5,100 TEU.

Global capacity development

in %	2016	2017	2018	2019e	2020e	2021e	2022e
Scheduled capacity growth	6.7	7.7	7.0	5.0	5.8	6.7	5.5
Capacity measures							
Delayed deliveries	2.1	1.9	1.3	0.5	0.6	0.0	0.0
Scrappings	3.3	2.0	0.5	2.1	2.0	2.0	2.1
Misc. (reclassifications, conversions etc)	0.0	0.0	-0.1	0.0	0.0	0.0	0.0
Net capacity growth	1.2	3.8	5.4	2.5	3.2	4.7	3.4

Source: Drewry Container Forecaster Q4 2018

In 2018, orders were placed for the construction of 198 container ships with a transport capacity totalling approximately 1.2 million TEU (Clarksons Research, January 2019). This means that there was a significant increase in the number and capacity of newbuilds on order compared with the previous year with orders for 117 container ships with a capacity of 800 TTEU. While orders of newbuilds in 2016 and 2017 were below the average for the last 10 years (around 1 million TEU), the figure for 2018 means that there was a relative increase again in the number of new ships ordered to provide the capacity needed for the expected growth in demand and to replace older and inefficient ships. Measured in terms of the transport capacity of the newbuilds ordered, approximately 81% relates to ships with a capacity of over 10 TTEU (MDS Transmodal, January 2019).

More detailed information on the sector-specific conditions is available in the audited Annual Financial Report 2018 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 fleet¹

	31.12.2018	30.09.2018	31.12.2017
Number of vessels	227	222	219
Aggregate capacity of vessels (TTEU)	1,643	1,596	1,573
thereof			
Number of own vessels	95	95	102
Aggregate capacity of own vessels (TTEU)	906	906	959
Number of leased vessels	17	17	14
Aggregate capacity of leased vessels (TTEU)	144	144	105
Number of chartered vessels	115	110	103
Aggregate capacity of chartered vessels (TTEU)	593	546	509
Aggregate container capacity (TTEU)	2,559	2,553	2,349
Number of services	119	118	120

¹ As at 31 December 2018, Hapag-Lloyd had chartered-in 3 ships mainly for the repositioning of empty containers. The transport capacity of these 3 ships was approximately 13,000 TEU in total. The ships are not deployed in a liner service and are therefore not included in the display of the fleet structure

As at 31 December 2018, Hapag-Lloyd's fleet comprised a total of 227 container ships. All of the ships are certified in accordance with the ISM (International Safety Management) Code and have a valid ISPS (ISPS) certificate. The majority of the ships are certified as per ISO 9001 (quality management) and ISO 14001 (environmental management). The TEU capacity of the entire Hapag-Lloyd fleet as at 31 December 2018 was 1,643,371 TEU, which was an increase of 69,994 TEU (4.4%) on the previous year. Based on the TEU capacities, around 64% of the fleet was owned by the Group as at 31 December 2018 (previous year: approximately 68%).

The average age of the ships (capacity-weighted) was 7.9 years (previous year: 7.1 years). The average ship size within the Hapag-Lloyd Group fleet was 7,240 TEU, which is 21% above the comparable average figure for the ten largest container liner shipping companies and about double the average ship size of the global fleet.

Hapag-Lloyd also owned or rented 1,554,423 containers with a capacity of 2,559,316 TEU for shipping cargo. Around 52% of containers (capacity-weighted) were owned by the Group as at 31 December 2018 (previous year: around 54%). With a fleet of around 97,000 reefer containers capable of transporting approximately 185 TTEU, Hapag-Lloyd has a strong competitive position in the attractive market segment for refrigerated shipping. In 2018, Hapag-Lloyd invested further in the expansion of its reefer fleet and ordered another 11,100 reefer containers, in order to benefit from the growing market opportunities.

As at 31 December 2018, Hapag-Lloyd's service network comprises 119 services and is therefore almost unchanged compared to the previous year (31 December 2017: 120 services).

4. HAPAG-LLOYD: GROUP EARNINGS POSITION

4.1 FREIGHT RATE PER TRADE

In the 2018 financial year, the average freight rate was USD 1,044 / TEU, which was USD 16 / TEU, or 1.5% below prior year period (USD 1,060 / TEU including 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 with a high influx of new capacity, especially during the first half of the year. The Far East, Middle East and Intra-Asia freights rates were particularly low.

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 1,022 / TEU. This would have meant an increase of USD 22 / TEU, or 2.1%, in the average freight rate.

Freight rate per trade ¹

USD/TEU	Q4 2018	Q3 2018	Q4 2017	QoQ change	YoY change	FY 2018	FY 2017	Change
Atlantic	1,390	1,357	1,312	2%	6%	1,336	1,302	3%
Transpacific	1,352	1,268	1,227	7%	10%	1,271	1,241	2%
Far East	912	948	894	-4%	2%	908	947	-4%
Middle East	734	745	827	-1%	-11%	758	864	-12%
Intra-Asia	503	519	542	-3%	-7%	512	578	-11%
Latin America	1,172	1,119	1,121	5%	5%	1,128	1,082	4%
EMAO (Europe, Mediterranean, Africa, Oceania)	1,116	1,134	1,077	-2%	4%	1,103	1,069	3%
Total	1,079	1,055	1,038	2%	4%	1,044	1,060	-1%

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 Hapag-Lloyd achieved a balanced positioning in all trades and was able to increase its transport volume by 2,071 TTEU to 11,874 TTEU (prior year period: 9,803 TTEU including the UASC Group since 24 May 2017), representing a rise of 21.1%. Almost all trades have contributed to this development.

On a comparable basis (if the UASC Group had been included from 1 January 2017), the transport volume (prior year period: 11,212 TTEU) in the financial year 2018 would have increased by 662 TTEU, or 5.9%.

Transport volume per trade

TTEU	Q4 2018	Q3 2018	Q4 2017	QoQ change	YoY change	FY 2018	FY 2017	Change
Atlantic	474	468	443	1%	7%	1,856	1,696	9%
Transpacific	502	520	455	-4%	10%	1,961	1,709	15%
Far East	485	557	464	-13%	5%	2,086	1,504	39%
Middle East	358	361	358	-1%	0%	1,473	1,033	43%
Intra-Asia	262	259	253	1%	4%	1,046	850	23%
Latin America	703	720	654	-2%	7%	2,774	2,466	13%
EMAO (Europe, Mediterranean, Africa, Oceania)	190	167	147	14%	29%	678	544	25%
Total	2,974	3,052	2,774	-3%	7%	11,874	9,803	21%

Rounding differences may occur

4.3 REVENUE PER TRADE

The Hapag-Lloyd Group's revenue rose by USD 2,318.9 million to USD 13,605.1 million in the financial year 2018 (prior year period: USD 11,286.2 million including the UASC Group since 24 May 2017), representing an increase of 20.5%. This was primarily due to the growth in transport volumes as a result of incorporating the UASC Group as well as to the generally positive development of the transport volume. The growth in other revenue was also volume driven and in addition due to higher revenues for demurrage and detention.

Revenue per trade¹

million USD	Q4 2018	Q3 2018	Q4 2017	QoQ change	YoY change	FY 2018	FY 2017	Change
Atlantic	658.3	635.3	580.7	4%	13%	2,479.7	2,208.3	12%
Transpacific	678.2	659.9	558.7	3%	21%	2,491.6	2,120.8	17%
Far East	442.4	528.2	414.3	-16%	7%	1,893.4	1,424.0	33%
Middle East	262.9	269.0	296.0	-2%	-11%	1,116.3	892.5	25%
Intra-Asia	132.1	134.4	137.1	-2%	-4%	535.0	491.5	9%
Latin America	822.3	805.4	733.3	2%	12%	3,128.2	2,669.3	17%
EMAO (Europe, Mediterranean, Africa, Oceania)	212.3	189.1	158.5	12%	34%	747.9	581.5	29%
Revenue not assigned to trades	325.1	320.5	239.9	1%	36%	1,213.0	898.3	35%
Total	3,533.6	3,541.8	3,118.5	0%	13%	13,605.1	11,286.2	21%

Rounding differences may occur

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.

4.4 CONSOLIDATED INCOME STATEMENT

Consolidated income statement

million USD	Q4 2018	Q3 2018	Q4 2017	QoQ change	YoY change	FY 2018	FY 2017	Change
Revenue	3,533.6	3,541.8	3,118.5	0%	13%	13,605.1	11,286.2	21%
Other operating income	52.0	28.1	6.5	85%	700%	136.0	149.9	-9%
Transport expenses ¹	-2,856.8	-2,821.0	-2,442.0	1%	17%	-11,102.1	-9,038.4	23%
Personnel expenses	-208.0	-181.3	-193.3	15%	8%	-779.1	-770.8	1%
Depreciation, amortisation and impairment	-208.3	-205.4	-222.9	1%	-7%	-821.2	-732.0	12%
Other operating expenses	-160.6	-130.5	-130.2	23%	23%	-566.4	-493.2	15%
Operating result¹	151.9	231.7	136.6	-34%	11%	472.3	401.7	18%
Share of profit of equity-accounted investees	9.6	8.0	8.7	20%	10%	36.3	43.1	-16%
Other financial result	2.6	12.3	21.5	-79%	-88%	14.9	22.0	-32%
Earnings before interest and tax (EBIT)¹	164.1	252.0	166.8	-35%	-2%	523.5	466.8	12%
Interest result	-120.8	-101.6	-132.3	19%	-9%	-431.5	-403.5	7%
Income taxes	-3.9	-13.2	-7.3	-70%	-47%	-37.7	-27.3	38%
Group profit/loss¹	39.4	137.2	27.2	-71%	45%	54.3	36.0	51%

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 financial year 2017 by USD 0.7 million.

Other operating income decreased by USD 13.9 million to USD 136.0 million in 2018 compared to the respective prior year period (USD 149.9 million). The main reason for this was the profit of USD 31.6 million in the 2017 financial year, which resulted from the 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. By contrast, there was additional income in 2018 from the disposal of non-current intangible assets and property, plant and equipment of USD 17 million (prior year period USD 1 million).

Personnel expenses increased by USD 8.3 million in 2018 to USD 779.1 million (prior year period: USD 770.8 million). The main reason for this development are higher costs for additional UASC staff being accounted for 12 months in 2018 compared to only seven months in the previous year. Exchange rate gains from the valuation of pension provisions had an opposing effect. In addition, one-off expenses recorded in the previous year from the operational integration of the UASC Group's business activities were no longer incurred in the current financial year.

The increase in personnel expenses in Q4 2018 compared to Q3 2018 was mainly driven by the accounting of bonus accruals as well as severances in several subsidiaries.

Depreciation and amortisation came to USD 821.2 million in the 2018 financial year (prior year period: USD 732.0 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.

Other operating expenses amounted to USD 566.4 million in the financial year 2018. (prior year period: USD 493.2 million). The increase of USD 73.2 million compared to the same period last year primarily results from the inclusion of the UASC Group on a full year basis, higher IT costs, increased commission costs and higher exchange rate losses.

The financial result consists of the earnings of equity-accounted investees totalling USD 36.3 million (prior year period: USD 43.1 million) and the other financial result amounting to USD 14.9 million (prior year period: USD 22.0 million). The other financial result includes USD 15.2 million from the sale of a minority investment.

The interest result for the full 2018 financial year was USD –431.5 million (prior year period: USD –403.5 million). The slight rise in interest expenses was primarily due to the financial debt assumed as a result of incorporating the UASC Group. Reductions in interest expenses resulting from the early redemption of high interest-bearing bonds and other financial debt impacted the interest result positively. In previous years period the redemption of bonds was associated with one-off effects totalling USD 33.8 million as a result of redemption charges, the disposal of associated embedded derivatives and other associated transaction costs. The change in the interest result in Q4 2018 compared to Q3 2018 was mainly driven by valuation effects of embedded options.

In 2018, income taxes increased by USD 10.4 to USD 37.7 million mainly due to first-time consolidation of companies previously accounted by using the at-equity method and the inclusion of the UASC Group on a full year basis.

The reduced income tax expense in Q4 2018 compared to Q3 2018 was mainly a result of a release of certain prior year income tax provisions after closing of prior year related tax audits and a reassessment of existing income tax losses in a subsidiary which resulted in an increase of the respective Deferred Tax Asset.

The Group recorded a profit of 54.3 million in the 2018 financial year (prior year period: profit of USD 36.0 million).

4.5 TRANSPORT EXPENSES

In the 2018 financial year, transport expenses rose by USD 2,063.7 million to USD 11,102.1 million (prior year period: USD 9,038.4 million). This represents an increase of 22.8% that is primarily due to the acquisition of the UASC Group and the related growth in transport volume as well as increased bunker prices. The increase in the expenses for raw materials and supplies of USD 662.7 million (49.5%) to USD 2,001.6 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 421 per tonne, up USD 103 per tonne on the figure of USD 318 per tonne for the prior year period.

The cost of purchased services in the 2018 financial year rose year-on-year by USD 1,401.0 million (18.2%), which was a lower increase in percentage terms compared to transport volume growth (21.1%). This increase is mainly due to the rise in transport volumes as a result of incorporating the UASC Group and to higher operating cost items. By contrast, synergy effects resulting from the incorporation of the UASC Group had a positive effect.

Transport expenses ¹

million USD	Q4 2018	Q3 2018	Q4 2017	QoQ change	YoY change	FY 2018	FY 2017	Change
Expenses for raw materials and supplies	573.0	510.6	391.2	12%	46%	2,001.6	1,338.9	49%
Cost of purchased services	2,283.8	2,310.4	2,050.8	-1%	11%	9,100.5	7,699.5	18%
thereof								
Port, canal and terminal costs	1,138.3	1,176.4	1,167.6	-3%	-3%	4,712.1	3,929.5	20%
Chartering, leases and container rentals	355.0	314.1	139.0	13%	155%	1,227.1	944.2	30%
Container transport costs	721.2	755.5	672.3	-5%	7%	2,930.6	2,530.0	16%
Maintenance / repair / other	69.3	64.4	71.9	8%	-4%	230.7	295.8	-22%
Transport expenses	2,856.8	2,821.0	2,442.0	1%	17%	11,102.1	9,038.4	23%

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 0.7 million.

Transport expenses per unit increased by 1% in the financial year 2018 compared to the prior year period. Higher expenses for raw materials and supplies (+ USD 32.0 / TEU, +23% as compared to the prior year period) were partly offset by savings in costs for purchased services (-USD 19.0 / TEU, -2% 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 25.4 / TEU (+15%) due to a further increase in bunker consumption prices as well as due to a bunker stock devaluation in the amount of USD 32.1 million (USD 10.8 / TEU) to lower market prices as at the balance sheet date (revaluation of inventories IAS 2.32). Costs for chartering, leases and container rentals have increased clearly by USD 16.5 / TEU (+16.0%). On the one hand, this was due to a time lag between fixture and effectiveness of charter contracts. While market rates declined slightly in Q4 2018, charter rates were higher at the time of contract fixture than on the date of effectiveness. On the other hand, costs have been driven by higher pool charter expenses which were, amongst others, attributable to the increase of bunker consumption prices and more voyages on partner vessels.

Transport expenses per TEU ¹

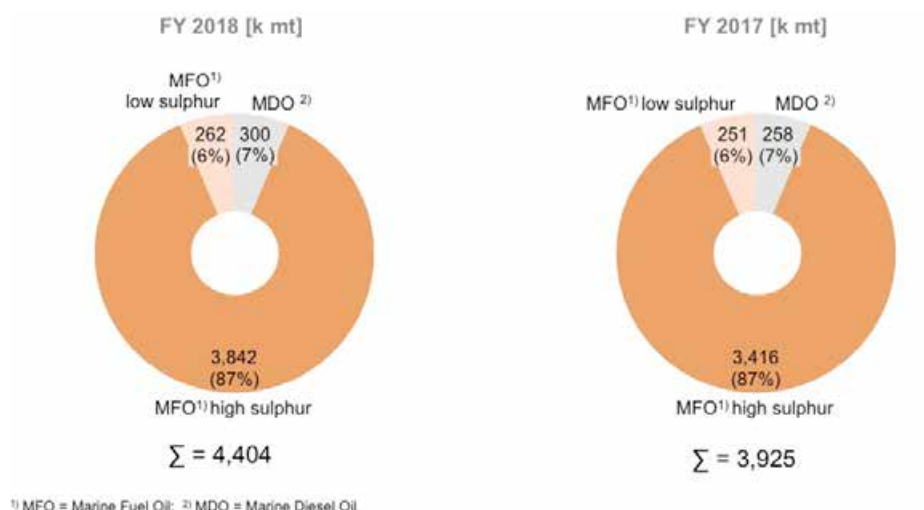
USD / TEU	Q4 2018	Q3 2018	Q4 2017	QoQ change	YoY change	FY 2018	FY 2017	Change
Expenses for raw materials and supplies	192.7	167.3	141.0	15%	37%	168.6	136.6	23%
Cost of purchased services	768.0	756.9	739.3	1%	4%	766.4	785.4	-2%
thereof								
Port, canal and terminal costs	382.8	385.4	420.9	-1%	-9%	396.8	400.9	-1%
Chartering, leases and container rentals	119.4	102.9	50.1	16%	138%	103.3	96.3	7%
Container transport costs	242.5	247.5	242.4	-2%	0%	246.8	258.1	-4%
Maintenance / repair / other	23.3	21.1	25.9	10%	-10%	19.4	30.2	-36%
Transport expenses	960.7	924.2	880.3	4%	9%	935.0	922.0	1%

Rounding differences may occur

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 0.7 million.

Bunker consumption development

Bunker consumption totalled approximately 4.4 million tonnes in 2018 (FY 2017, including UASC Group for seven months: 3.9 million tonnes). Around 13% (FY 2017, including UASC Group for seven months: 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 (FY 2017, including UASC Group for 7 months: 0.40 metric tonnes per TEU).



4.6 Earnings position

The earnings before interest and taxes (EBIT) amounted to USD 523.5 million in the current reporting period. EBIT was therefore higher by USD 56.7 million on the corresponding figure in the prior year period (USD 466.8 million). The earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at USD 1,344.7 million in the 2018 financial year (prior year period: USD 1,198.8 million).

EBIT and EBITDA margin¹

million USD	Q4 2018	Q3 2018	Q4 2017	QoQ change	YoY change	FY 2018	FY 2017	Change
Revenue	3,533.6	3,541.8	3,118.5	0%	13%	13,605.1	11,286.2	21%
EBIT	164.1	252.0	166.8	-35%	-2%	523.5	466.8	12%
EBITDA	372.4	457.4	389.7	-19%	-4%	1,344.7	1,198.8	12%
EBIT margin	4.6%	7.1%	5.3%	-2.5 ppt	-0.7 ppt	3.8%	4.1%	-0.3 ppt
EBITDA margin	10.5%	12.9%	12.5%	-2.4 ppt	-2.0 ppt	9.9%	10.6%	-0.7 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

5.1 CHANGES IN THE NET ASSET STRUCTURE

Group net asset position

million USD	31.12.2018	31.12.2017
Assets		
Non-current assets	14,709.1	15,146.1
of which fixed assets	14,645.7	15,071.1
Current assets	2,812.6	2,630.8
of which cash and cash equivalents	752.4	725.2
Total assets	17,521.7	17,776.9
Equity and liabilities		
Equity	7,167.5	7,263.3
Borrowed capital	10,354.2	10,513.6
of which non-current liabilities	6,487.4	7,197.8
of which current liabilities	3,866.8	3,315.8
of which financial debt	6,891.1	7,595.5
thereof		
Non-current financial debt	6,070.8	6,750.6
Current financial debt	820.3	844.9
Total equity and liabilities	17,521.7	17,776.9

As at 31 December 2018, the Group's balance sheet total was USD 17,521.7 million, which is USD 255.2 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 425.4 million to USD 14,645.7 million. This decline was essentially due to depreciation totalling USD 821.2 million reducing the value of fixed assets. This effect was partly offset by investments in the amount of USD 432.7 million.

Current assets rose by USD 181.8 million to USD 2,812.6 million compared to the level as at 31 December 2017. The change primarily resulted from an increase in trade accounts receivable and from increased inventories. These developments were countered by the lower market values of derivative financial assets.

Cash and cash equivalents of USD 752.4 million increased by USD 27.2 million compared with the end of 2017 (USD 725.2 million).

On the liabilities side, equity (including non-controlling interests) sank by USD 95.8 million to a total of USD 7,167.5 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 54.3 million had an opposing effect. The equity ratio of 40.9% as at 31 December in the current financial year remained unchanged compared to 31 December 2017 (40.9%).

The Group's borrowed capital has decreased by USD 159.4 million to USD 10,354.2 million since 31 December 2017 and financial debt fell by USD 704.4 million to USD 6.891.1 million. The decrease in financial debt is largely due to debt repayments of USD 1,589.6 million. Proceeds amounting to USD 924.2 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 Annual Financial Report 2018 on the Hapag-Lloyd company website.

5.2 RETURN ON INVESTED CAPITAL

The annualised return on invested capital (ROIC) for 2018 amounted to 3.7% (prior year period: 3.1%).

Calculation of return on invested capital

million USD	FY 2018	FY 2017
Non-current assets	14,709	15,146
Inventory	273	224
Trade accounts receivable	1,394	1,064
Other Assets	393	618
Assets	16,769	17,051.7
Provisions	793	738
Trade accounts payable	2,032	1,870
Other liabilities	638	311
Liabilities	3,463	2,918
Invested Capital	13,306	14,134
EBIT	524	467
Tax	38	27
Net Operating Profit after Tax (NOPAT)	486	440
Return on Invested Capital (ROIC)	3.7%	3.1%

Basic earnings per share for the 2018 financial year came to USD 0.25 per share (prior year period: USD 0.21 per share).

Earnings per share

		FY 2018	FY 2017	Change
"Non diluted" Earnings Per Share	USD	0.25	0.21	19%
Profit/Loss attributable to shareholders of Hapag-Lloyd AG	million USD	43.5	30.7	42%
Weighted average number of shares	million shares	175.8	148.2	19%

6. GROUP FINANCIAL POSITION

6.1 DEVELOPMENTS IN CASH AND CASH EQUIVALENT

Development of liquidity reserve

million USD	Q4 2018	Q4 2017	FY 2018	FY 2017
Cash and cash equivalents beginning of the period	694.5	1,442.6	725.2	602.1
Unused credit lines beginning of the period	470.0	460.0	545.0	200.0
Liquidity reserve beginning of the period	1,164.5	1,902.6	1,270.2	802.1
EBITDA	372.4	389.7	1,344.7	1,198.8
Working capital	50.8	-92.1	39.8	-118.4
Others	-27.2	-28.8	-116.8	-60.7
Operating cash flow	396.0	268.8	1,267.7	1,019.7
Investments	-85.0	-150.9	-388.6	-467.8
thereof vessel	-8.5	-40.4	-63.4	-300.9
thereof container	-69.9	-107.7	-305.5	-155.2
thereof other	-6.6	-2.7	-19.7	-11.7
Cash received from acquisitions	-0.5	26.7	-0.5	426.8
Disinvestments	182.3	16.8	225.3	37.7
Dividends received	1.0	0.2	40.6	31.5
Investing cash flow	97.8	-107.2	-123.2	28.2
Capital increase	0.0	413.5	0.3	413.5
Payments for capital increase	0.0	-3.7	-2.4	-4.5
Payments made from changes in ownership interests	0.0	-17.2	0.0	-17.5
Debt intake	190.5	63.6	924.2	1,854.3
Debt repayment	-568.1	-1,253.5	-1,589.6	-2,822.8
Dividends paid	-3.3	0.0	-136.7	-3.5
Interest	-79.9	-114.2	-375.3	-350.8
Payments made from hedges for financial debts	-10.1	23.4	11.1	22.2
Change in restricted cash	35.2	9.0	51.2	-16.0
Financing cash flow	-435.7	-879.1	-1,117.2	-925.1
Changes due to exchange rate fluctuations	-0.2	0.1	-0.1	0.3
Liquidity reserve end of the period	1,297.4	1,270.2	1,297.4	1,270.2
Cash and cash equivalents end of the period	752.4	725.2	752.4	725.2
Unused credit lines end of the period	545.0	545.0	545.0	545.0

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of USD 1,267.7 million in the 2018 financial year (prior year period: USD 1,019.7 million). The increase compared to prior year period is mainly attributable to the positive development of earnings as well as an improved working capital.

Cash flow from investing activities

The cash outflow from investing activities totalled USD 123.2 million (prior year period: cash inflow of USD 28.2 million) and related to payments for investments of USD 388.6 million, primarily in containers and ship equipment. This includes payments of USD 62.8 million for new containers which were capitalised in the previous year. Furthermore, Hapag-Lloyd invested USD 106.9 million in containers which will result in pay-outs in 2019. This was compensated by cash inflows received from dividends (USD 40.6 million) and the sale of property, plant and equipment (USD 39.2 million) as well as of the ocean-going vessels held for sale as at 31 December 2017 (USD 18.0 million). In addition the cash inflow from the settlement of a long-term receivable of UASC arising from the sale of an associate in an amount of USD 152.5 million reduced the cash outflow from investing activities.

After deduction of cash outflows from investing activities a positive free cashflow of USD 1,144.5 million has been achieved for the financial year 2018 (prior year period; USD 1,047.9 million)

Cash flow from financing activities

Overall, there was a cash outflow from financing activities in the current reporting period in the amount of USD 1,117.2 million (prior year period: USD 925.1 million) which mainly comprised of interest and redemption payments of USD 1,964.9 million (prior year period: USD 3,173.6 million). Furthermore, dividend pay-outs of USD 136.7 million, including the dividend distribution by Hapag-Lloyd AG approved at the Annual General Meeting on 10 July 2017 of USD 117.3 million as well as dividend pay-outs to minority shareholders, led to additional cash outflows. This contrasted with cash inflows of USD 924.2 million (prior year period: USD 1,854.3 million) which essentially related to new borrowing for containers (USD 303.6 million), cash inflows from the conversion of ship financing (USD 341.5 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 11.1 million.

6.2 FINANCIAL POSITION

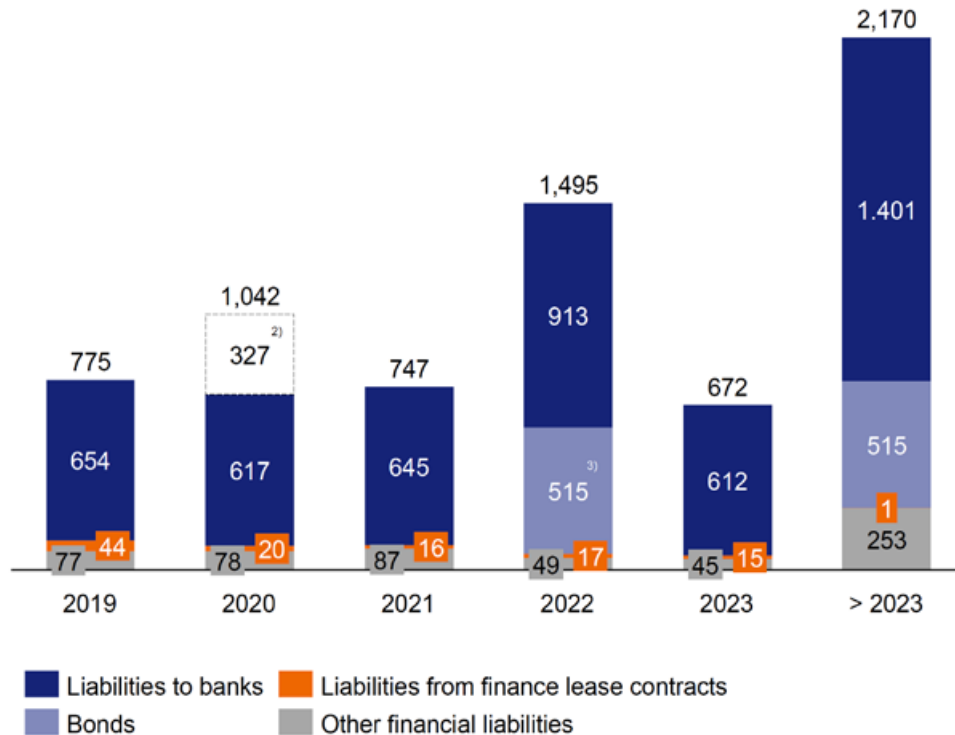
The Group's net debt decreased by USD 680.4 million to USD 6,131.3 million as at 31 December 2018 (31 December 2017: USD 6,811.7 million). The calculation of net debt includes restricted cash in the amount of USD 7.4 million (31 December 2017: USD 58.6 million) which is held in trust as security for existing financial debt and due to its maturity is reported under other assets. Gearing, the ratio of net debt to balance sheet equity, decreased from 93.8% at the end of 2017 to 85.5% as at 31 December 2018. The ratio of Net Debt to EBITDA improved to 4.6x compared with 5.7x in the previous year.

The equity ratio of 40.9% was unchanged compared with 31 December 2017.

Financial solidity

million USD	31.12.2018	31.12.2017
Financial debt	6,891.1	7,595.5
Cash and cash equivalents	752.4	725.2
Restricted Cash	7.4	58.6
Net debt	6,131.3	6,811.7
Unused credit lines	545.0	545.0
Liquidity reserve	1,297.4	1,270.2
Equity	7,167.5	7,263.3
Gearing (net debt/equity) (%)	85.5	93.8
Equity ratio (%)	40.9	40.9
Net Debt to EBITDA	4.6x	5.7x

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 31 December 2018 consists of transaction costs and accrued interest

² ABS program prolonged until 2020

³ Partial voluntary redemption of EUR bond with contractual maturity in 2022 in the amount of EUR 170 million will be executed in February 2019

The total repayment amount of USD 6,901.0 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 327 million), a revolving line collateralized by receivables.

Hapag-Lloyd had two bonds outstanding as per 31 December 2018: EUR 450 million 6.75% Senior Notes due February 2022 and EUR 450 million 5.125% Senior Notes due July 2024. The partial voluntary redemption of the EUR bond with contractual maturity in 2022 in the amount of EUR 170 million was executed in February 2019.

7. EVENTS AFTER THE BALANCE SHEET DATE

On 3 January 2019, a fire broke out in one container on deck of Hapag-Lloyd's "Yantian Express". The 7,510 TEU ship was on its way from Colombo to Halifax. After the fire was contained, the ship was towed to the port of Freeport (Bahamas) where the assessment and the recovery of cargo is continuing. Potential loss from damage on ship, cargo, bunker, and equipment as well as the rescue cost are either covered by insurance or eligible in the "General average". Cost for business interruption are not insured.

On 30 January 2019, 15 February 2019 and 15 March 2019, newly acquired containers were sold to an investor group as part of Japanese operating leases and subsequently leased back over a term of 7 years, with the option of repurchasing the containers at the end of the term. The design of the leasing agreements essentially corresponds to a borrowing, combined with a transfer by way of security of the containers. The refinancing volume associated with these transactions totaled USD 128.4 million.

On 31 January 2019 the Executive Board of Hapag-Lloyd decided to partly redeem EUR 170 million of its outstanding senior note due 2022. The partly redemption took place on 11 February 2019 at a fixed redemption price of 103.375%. The senior note was issued in 2017 with an aggregate principal amount of EUR 450 million and a coupon of 6.75%.

On 6 February 2019, Hapag-Lloyd has drawn down USD 100 million under the existing Receivable Sales Program.

On 18 February 2019, the Rating Agency Moody's upgraded Hapag-Lloyd's corporate family rating (CFR) to B1 from B2 and its senior unsecured bond rating to B3 from Caa1. The rating outlook remains stable.

On 20 February 2019, the U. S. Department of Justice Antitrust Division ("DoJ") has announced towards Hapag-Lloyd the completion of its investigation. The official end of the investigation against Hapag-Lloyd has been confirmed by the DoJ on 25 February 2019. The investigation has been closed without charges against Hapag-Lloyd AG, its affiliates or any of its current or former employees. This investigation was related to subpoenas which were served to company representatives in San Francisco on 15 March 2017, ordering them to attend a hearing by the DoJ.

8. OUTLOOK

The general economic and sector-specific conditions which are of importance to container shipping are presented and analysed in detail in the Chapter 2 of this report. A summary of the most important external factors is given below.

In its latest economic outlook (January 2019), the International Monetary Fund (IMF) expects global economic growth to reach 3.5% in the current year. This forecast means that the global economy is set to grow at a slightly lower rate in 2019 than 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 4.0% in 2019 (2018: +4.0%). This means that in 2019 the growth in global trade will once again outpace that of the global economy. IHS Global Insight (January 2019) is forecasting that the global container shipping volume will increase by 4.7% to approximately 153 million TEU in 2019 (2018: +4.0%). As such, the expected rise in worldwide transport volumes in container shipping for 2019 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 1.1 million TEU to 21.9 million TEU in 2018, Drewry forecasts a nominal increase in transport capacities of up to approximately 0.5 million TEU for the current year. In relation to the total capacity of the global fleet, this represents an increase of around 2.5%. Although the rise is expected to be lower than in the previous year (5.4%), the delivery of large vessels for use on the Far East trade could also make it difficult to increase freight rates in 2019.

Hapag-Lloyd is anticipating a rise in the transport volume in 2019 in line with the general growth of the market. Additionally assuming a lower increase in global transport capacity compared to 2018, Hapag-Lloyd's average freight rate in 2019 is likely to increase slightly compared with the previous year. Hapag-Lloyd is also expecting the average bunker consumption price in 2019 to be moderately higher compared to the previous year.

Provided that Hapag-Lloyd achieves the expected freight rate, the anticipated improvement in revenue quality combined with the cost savings as part of Strategy 2023, and the expected growth in volumes, it is forecasting an EBITDA in the range of EUR 1.6 – 2.0 billion and an EBIT in the range of EUR 0.5 – 0.9 billion. Accounted for here is the currently expected impact on EBITDA in the range of EUR 370 – 470 million as well as EBIT in the range of EUR 10 – 50 million related to the implementation of the reporting standard IFRS 16. A detailed description of the expected impact on the balance sheet from the first time application can be found in the notes to the financial statements. Impairments on goodwill, other intangible assets and property, plant and equipment are not considered. These corrections are not expected at present but cannot be ruled out given current geopolitical developments and other factors. The earnings forecast is based on the assumption of constant exchange rates.

Key benchmark figures for the 2019 outlook

Global economic growth (IMF)	3.5%
Increase in global trade (IMF)	4.0%
Increase in global container transport volume (IHS)	4.7%
Transport volume, Hapag-Lloyd	Increasing slightly
Average bunker consumption prices, Hapag-Lloyd	Increasing moderately
Average freight rate, Hapag-Lloyd	Increasing slightly
EBITDA (earnings before interest, taxes, depreciation and amortisation), Hapag-Lloyd	EUR 1.6–2.0 billion
EBIT (earnings before interest and taxes), Hapag-Lloyd	EUR 0.5–0.9 billion

The majority of the earnings are expected to be generated in the second half of the year, particularly in the third quarter, when the peak season occurs. This is because the volume of global trade fluctuates throughout the year and is usually much higher in the second half of the year than in the first.

Risks that may have an impact on the forecast for business development are described in detail in the risk report. 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 freight rates. Additional risks could result from the consolidation of the industry and 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 business development of Hapag-Lloyd in the 2019 financial year, 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 Full Year 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 Annual Report 2018, please find below the respective exchange rates:

- Values for Q4 2018 have been calculated by subtracting the 9M 2018 figures from the FY 2018 figures
- Values for 9M 2018 have been converted at the respective 9M 2018 exchange rates
- Values for FY 2018 have been converted at the respective FY 2018 exchange rates
- Values for Q3 2018 have been calculated by subtracting the H1 2018 figures from the 9M 2018 figures
- Values for Q4 2017 have been calculated by subtracting the 9M 2017 figures from the FY 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 FY 2017 have been converted for Hapag-Lloyd (excl. UASC) at the average exchange rate for January to December 2017 and for UASC since consolidation 24 May 2017 at the average exchange rate for June to December 2017

Exchange rates

per EUR	Closing rate			Average rate		
	31.12.2018	30.9.2018	31.12.2017	FY 2018	9M 2018	FY 2017
US dollars	1.1451	1.1582	1.1989	1.1815	1.195	1.1294

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 2019

9 MAY 2019

Publication of quarterly financial report Q1 2019

12 JUNE 2019

Annual General Meeting 2019

7 AUGUST 2019

Publication of half-year financial report H1 2019

14 NOVEMBER 2019

Publication of quarterly financial report 9M 2019

IMPRINT

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