Q2 | H1 2019

Hapag-Lloyd AG

Investor Report

1 January to
30 June 2019

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES

		Q2 2019	Q2 2018	H1 2019	H1 2018	Change
Key operating figures						
Total vessels, of which		237	226	237	226	5%
Own vessels [1]		112	112	112	112	–
Chartered vessels		125	114	125	114	10%
Aggregate capacity of vessels	TTEU	1,707	1,608	1,707	1,608	6%
Aggregate container capacity	TTEU	2,580	2,487	2,580	2,487	4%
Bunker price (MFO, average for the period) [2]	USD/t	406	372	402	361	12%
Bunker price (MDO, average for the period) [3]	USD/t	613	600	606	578	5%
Bunker price (combined MFO/MDO, average for the period)	USD/t	434	399	429	385	11%
Freight rate (average for the period)	USD/TEU	1,063	1,010	1,071	1,020	5%
Transport volume	TTEU	3,038	2,987	5,966	5,848	2%
Revenue	million USD	3,569	3,356	7,047	6,577	7%
Transport expenses	million USD	–2,790	–2,850	–5,451	–5,517	–1%
EBITDA	million USD	524	251	1,080	517	109%
EBIT	million USD	197	47	440	110	n. m.
Group profit/loss	million USD	56	–80	165	–122	n. m.
Cash flow from operating activities	million USD	391	186	1,000	498	101%
Investment in property, plant and equipment [4]	million USD	22	29	187	125	50%
Key return figures						
EBITDA margin (EBITDA/revenue)	%	14.7	7.5	15.3	7.9	7.5 ppt
EBIT margin (EBIT/revenue)	%	5.5	1.4	6.2	1.7	4.6 ppt
Key balance sheet figures as at 30 June [5]						
Balance sheet total	million USD	18,280	17,522	18,280	17,522	4%
Equity	million USD	7,208	7,168	7,208	7,168	1%
Equity ratio (equity/balance sheet total)	%	39.4	40.9	39.4	40.9	–1.5 ppt
Borrowed capital	million USD	11,072	10,354	11,072	10,354	7%
Key financial figures as at 30 June [5]						
Financial debt	million USD	7,605	6,891	7,605	6,891	10%
Cash and cash equivalents	million USD	515	752	515	752	–32%
Net debt (financial debt – cash and cash equivalents) [6]	million USD	7,090	6,131	7,090	6,131	16%
Gearing (net debt/equity)	%	98.4	85.5	98.4	85.5	12.8 ppt
Liquidity reserve	million USD	1,060	1,297	1,060	1,297	–18%
Number of employees as at 30 June [5]						
Employees at sea		2,132	2,050	2,132	2,050	4%
Employees on land		10,729	10,227	10,729	10,227	5%
Hapag-Lloyd total		12,861	12,277	12,861	12,277	5%

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

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

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

2 MFO = Marine Fuel Oil

3 MDO = Marine Diesel Oil

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

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

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

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

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Disclaimer: This report contains statements relating to the future development of Hapag-Lloyd. Actual results may differ materially from those expected due to market fluctuations, the development of the competitive situation and world market prices for raw materials as well as changes in exchange rates and the economic environment. Hapag-Lloyd neither intends nor assumes any obligation to update any forward-looking statements to reflect events or developments after the date of this report.

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

This quarterly financial report was published on 7 August 2019.

1. HIGHLIGHTS

- Transport volume rises by 2.0% in the first 6 months of 2019 compared to the previous year
- Positive freight rate development: The freight rate stands at USD 1,071/TEU, which is 5.0% higher than in the previous year (H1 2018: USD 1,020/TEU)
- A clear increase in average bunker consumption prices[1] of USD 44 to USD 429 per tonne (H1 2018: USD 385 per tonne) leads to an increase in fuel expenses by 10.6%
- Transport expenses decrease slightly by 1.2% compared with the previous year, also due to the first-time application of IFRS 16. Volume and price-related increases in charter costs have the opposite effect, similar to the clear rise in the bunker consumption price
- Clearly positive EBITDA of USD 1,080.0 million in the first 6 months of 2019 (H1 2018: USD 517.2 million). This includes a positive effect from the first-time application of IFRS 16 in the amount of approximately USD 245 million. EBITDA margin of 15.3% in H1 2019 (H1 2018: 7.9%)
- The first-time application of IFRS 16 increases depreciation and amortisation in the first 6 months of the year by 57.1% to USD 640.2 million (H1 2018: USD 407.5 million)
- Operating result (EBIT) of USD 439.8 million (including IFRS 16 effect of around USD 15 million) is also significantly higher than in the previous year (H1 2018: USD 109.7 million)
- Group net result of USD 165.2 million (including IFRS 16 effect of around USD –21 million) is substantially higher than in the previous year (H1 2018: USD –122.3 million)
- Strong operating cash flow of USD 999.6 million (H1 2018: USD 497.8 million), positively affected by the first-time application of IFRS 16 in the amount of approximately USD 257 million
- Liquidity reserve totals USD 1,060.4 million as at 30 June 2019
- Early redemption of bond due in 2022 in the amount of EUR 450 million as part of the deleveraging plan
- On an ex-IFRS 16 basis the 2019 net leverage target of 3.5x Net Debt/EBITDA (LTM) has been already achieved
- Balance sheet total increases by USD 758.7 million to USD 18,280.4 million compared with 31 December 2018, primarily as a result of the first-time application of IFRS 16
- Equity ratio decreases slightly to 39.4% (31 December 2018: 40.9%) due to IFRS 16

[1] Weighted average MFO & MDO

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

General economic conditions

The experts at the International Monetary Fund (IMF) anticipate global economic growth of 3.2% and 3.5% in 2019 and 2020 respectively (IMF, World Economic Outlook Update, July 2019). The IMF has slightly lowered its growth prediction for both 2019 and 2020 by 0.1 percentage points compared to its forecast published in April 2019. The current forecast includes the increase in US tariffs on Chinese imports from 10% to 25% in May 2019 as well as the retaliatory actions by China. In addition, the uncertainties around the Brexit as well as geopolitical tensions weigh on demand worldwide. The expected recovery in 2020 is based on the assumptions that the temporary growth weakness in the euro area will gradually turn around, that currently troubled emerging markets will gradually stabilise and that current trade conflicts will be solved over time.

Based on its current forecast, the IMF predicts that the volume of global trade, which is key to the demand for container shipping services, will grow by 2.5% in 2019 compared with the previous year. The institute has therefore cut its forecast from April 2019 again substantially by 0.9 percentage points. Growth of 3.7% is expected in 2020 (April forecast: 3.9%).

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

in %	2020e	2019e	2018	2017	2016	2015	2014
Global economic growth	3.5	3.2	3.6	3.8	3.4	3.4	3.6
Industrialised countries	1.7	1.9	2.2	2.4	1.7	2.3	2.1
Developing and newly industrialised countries	4.7	4.1	4.5	4.8	4.6	4.3	4.7
World trade volume (goods and services)	3.7	2.5	3.7	5.5	2.2	2.8	3.9

Source: IMF, July 2019

Sector-specific conditions

Based on current forecasts, the global cargo volume could rise to approximately 171 million TEU in 2019 (IHS Markit, May 2019). IHS Markit expects the global container shipping volume to increase by 3.8% in 2019, once again outpacing the forecast rate of growth for global trade. IHS has lowered its forecast by 0.9 percentage points compared to the last publication in January 2019. However, in its last publication, the Institute changed its forecasting methodology and thus also adjusted the previous year's figure. Comparability with previous publications is therefore only possible to a limited extent. For the period 2020 to 2024, IHS Markit is currently predicting an average annual growth of 3.2% in the global container shipping volume. As a result, container shipping will continue to be a growth industry.

According to IHS Markit, the anticipated growth will be spread relatively evenly across the individual trades. The strongest growth is currently expected in the Middle East and Indian subcontinent and in the Intra-Asia trade.

Development of global container transport volume

	2020e	2019e	2018	2017	2016	2015	2014
million TEU	175	171	164	156	150	147	144
Growth rate in %	2.5	3.8	5.2	4.2	1.8	2.5	–

Source: IHS Markit (May 2019). The data for 2020 is currently being re-assessed internally by IHS Markit and it cannot be ruled out that these may change after the publication of this half-year financial report

At the beginning of 2019, the aggregate capacity of the global container ship fleet was approximately 22 million TEU (Drewry Container Forecaster Q2 2019, June 2019). Based on the container ships on order and planned deliveries, the globally available transport capacity should see increases of around 0,7 million TEU in 2019 and around 0,8 million TEU in 2020 (Drewry Container Forecaster Q2 2019, June 2019). This includes the expected delays of deliveries in the current financial year and the expected scrapping. The tonnage of the commissioned container ships of approximately 2.4 million TEU (MDS Transmodal, July 2019) is equivalent to around 10% of the present global container fleet's capacity (approximately 23 million TEU as at July 2019). It therefore remains well below the highest level seen to date, which was around 61% in 2007, and the average over the last 5 years (around 16%).

In the period from January to June 2019, orders were placed for the construction of 34 container ships with a transport capacity totalling approximately 0.2 million TEU (FY 2018: capacity of approximately 1.2 million TEU [Clarksons Research, July 2019]).

Expected development of global container fleet capacity

million TEU	2020e	2019e	2018	2017
Existing fleet (beginning of the year)	22.7	22.0	20.8	20.1
Planned deliveries	1.4	1.1	1.5	1.5
Expected scrappings	0.4	0.2	0.1	0.4
Postponed deliveries and other changes	0.1	0.1	0.2	0.4
Net capacity growth	**0.8**	**0.7**	**1.2**	**0.7**

Source: Drewry Container Forecaster Q2 2019, June 2019. Expected nominal capacity based on planned deliveries. Based on existing orders and current predictions for scrapping and postponed deliveries. Figures rounded. Rounding differences may be the result of changes in the databases.

While net capacity growth is forecast at 0.7 million TEU (Drewry Container Forecaster Q2, June 2019), global container shipping volume is expected to increase by 6.3 million TEU in 2019 (IHS Markit, May 2019).

The actual growth in the global container ship fleet's transport capacity is regularly lower than the projected nominal increase, as old and inefficient vessels are scrapped and deliveries of newbuilds are postponed. Based on figures from MDS Transmodal, a total of 66 container ships with a transport capacity of approximately 0.5 million TEU were placed into service in the first 6 months of 2019 (H1 2018: 94 ships with a transport capacity of approximately 0.8 million TEU). At around 0.1 million TEU, the scrapping of inefficient vessels was significantly lower in 2018 than in previous years (2017: 0.4 million TEU; 2016: 0.7 million TEU). According to Drewry (Container Forecaster Q2, June 2019), however, the figure is expected to rise again slightly in 2019 to approximately 0.2 million TEU. At the start of the year, Drewry expected scrapping to increase to around 0.5 million TEU (Drewry Container Forecaster 4Q 2018). According to Clarksons, around 0.1 million TEU was scrapped in the first 6 months of 2019.

Idle capacity was around 0.4 million TEU at the end of June 2019 (Alphaliner Weekly, July 2019), accounting for approximately 1.6% of the global fleet. The majority of idle vessels have a capacity of up to 5,100 TEU.

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

Flexible fleet and capacity development

As at 30 June 2019, Hapag-Lloyd's fleet comprises a total of 237 container ships (31 December 2018: 227 vessels). All of the vessels are certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate.

The majority of the vessels are certified as per ISO 9001 (quality management) and ISO 14001 (environmental management). The TEU capacity of the entire Hapag-Lloyd fleet as at 30 June 2019 stands at 1,707,463 TEU, which is a moderate increase compared to 31 December 2018 (1,643,371 TEU). The share of vessels chartered by Hapag-Lloyd is approximately 39% as at 30 June 2019 based on TEU capacity (31 December 2018: approximately 36%).

As at 30 June 2019, the average age of Hapag-Lloyd's total fleet (capacity-weighted) is 8.4 years. The average ship size within the Hapag-Lloyd Group fleet is 7,204 TEU, which is approximately 19% above the comparable average figure for the 10 largest container liner shipping companies (30 June 2019: 6,033 TEU) and around 71% above the average ship size in the global fleet (30 June 2019: 4,219 TEU).

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

As at 30 June 2019, Hapag-Lloyd owns or rents 1,573,216 containers (31 December 2018: 1,554,423) with a capacity of 2,580,401 TEU for shipping cargo (31 December 2018: 2,559,316 TEU). The capacity-weighted share of leased containers is around 47% as at 30 June 2019 (31 December 2018: 48%). To facilitate further growth in the strategically important reefer segment, Hapag-Lloyd ordered 13,420 new reefer containers in June 2019. The containers are scheduled for delivery in November 2019. In connection with this, Hapag-Lloyd is also launching a programme to fit its entire fleet of reefer containers with the latest IOT monitoring technology. The resulting customer products will be marketed under the name Hapag-Lloyd LIVE and include a real-time GPS, information on the temperature inside the container and a notification system / alarm management system.

Hapag-Lloyd's service network comprises 118 services as at 30 June 2019 (31 December 2018: 119 services).

Structure of Hapag-Lloyd's container ship fleet

	30.6.2019	31.12.2018	30.6.2018
Number of vessels	**237**	**227**	**226**
thereof			
Own vessels[1]	112	112	112
Chartered vessels	125	115	114
Aggregate capacity of vessels (TTEU)	1,707	1,643	1,608
Aggregate container capacity (TTEU)	2,580	2,559	2,487
Number of services	**118**	**119**	**120**

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

4. HAPAG-LLOYD: GROUP EARNINGS POSITION

Against the backdrop of unwavering intense competition the earnings performance in the first half of the 2019 financial year was clearly positive and within the Executive Board's expectations. On the contrary the growth of the transport volume amounting to 2.0% was slightly below the expectation at the beginning of the year. Compared to the first half of 2018, the development of the average freight rate, the increase in the transport volume and a strengthening of the US dollar against the euro had a positive effect on the earnings position. By contrast, increased bunker costs as well as the rise in charter costs reduced the half-yearly earnings in 2019. Hapag-Lloyd generated an operating result before interest and taxes (EBIT) of USD 439.8 million in the first half of 2019 (prior year period: USD 109.7 million) and a group result of USD 165.2 million (prior year period: USD –122.3 million).

4.1 CONSOLIDATED INCOME STATEMENT

Consolidated income statement

million USD [1]	Q2 2019	Q1 2019	Q2 2018	QoQ change	YoY change	H1 2019	H1 2018	Change
Revenue	3,569.0	3,477.6	3,356.0	3%	6%	7,046.6	6,576.7	7%
Transport expenses	–2,790.5	–2,660.2	–2,849.6	5%	–2%	–5,450.7	–5,517.3	–1%
Personnel expenses	–185.5	–189.3	–187.9	–2%	–1%	–374.8	–383.7	–2%
Depreciation, amortisation and impairment	–327.3	–312.9	–203.8	5%	61%	–640.2	–407.5	57%
Other operating result	–78.7	–82.4	–76.0	5%	–3%	–161.0	–177.1	9%
Operating result [1]	**187.0**	**232.8**	**38.6**	**–20%**	**n. m.**	**419.8**	**91.0**	**n. m.**
Share of profit of equity-accounted investees	10.1	9.7	8.8	4%	14%	19.8	18.7	6%
Result from investments	0.0	0.2	–0.0	–87%	n. m.	0.2	–0.0	n. m.
Earnings before interest and tax (EBIT) [1]	**197.1**	**242.7**	**47.4**	**–19%**	**n. m.**	**439.8**	**109.7**	**n. m.**
Interest result	–133.5	–120.6	–107.8	–11%	–24%	–254.1	–209.1	–22%
Other financial items	–1.2	0.2	–6.1	n. m.	80%	–1.0	–2.3	58%
Income taxes	–6.6	–13.0	–13.5	–50%	–52%	–19.5	–20.6	–5%
Group profit / loss [1]	**55.9**	**109.3**	**–80.1**	**–49%**	**n. m.**	**165.2**	**–122.3**	**n. m.**

[1] Due to the change in presentation of the consolidated income statement, the previous year's values have been adjusted. As a result, EBIT for the first half of 2018 rose by USD 2.3 million, from USD 107.4 million to USD 109.7 million

4.2 FREIGHT RATE PER TRADE

The average freight rate in the first half of 2019 was USD 1,071 / TEU, which was USD 51 / TEU up on the prior year period (USD 1,020 / TEU). In an ongoing difficult market environment, freight rates were down slightly by USD 16 / TEU in the second quarter of 2019 (USD 1,063 / TEU) compared with the first quarter of 2019 (USD 1,079 / TEU).

Compared with the first half of 2018, freight rate increases particularly on the Atlantic, Transpacific, Far East, Intra-Asia, Latin America and EMAO trades had a positive effect on the average freight rate in the reporting period and therefore on earnings. However, the freight rate decrease on the Middle East trade had the opposite effect.

Freight rate per trade[1]

USD / TEU	Q2 2019	Q1 2019	Q2 2018	QoQ change	YoY change	H1 2019	H1 2018	Change
Atlantic	1,361	1,351	1,303	1%	4%	1,356	1,298	4%
Transpacific	1,289	1,338	1,209	–4%	7%	1,312	1,229	7%
Far East	858	930	872	–8%	–2%	895	884	1%
Middle East	753	757	773	–1%	–3%	755	780	–3%
Intra-Asia	548	528	502	4%	9%	538	512	5%
Latin America	1,144	1,181	1,090	–3%	5%	1,162	1,110	5%
EMAO (Europe, Mediterranean, Africa, Oceania)	1,101	1,099	1,031	0%	7%	1,100	1,036	6%
Total	**1,063**	**1,079**	**1,010**	**–1%**	**5%**	**1,071**	**1,020**	**5%**

1 Due to an organisational change, the transport volumes to / from Djibouti, Sudan and Eritrea have been assigned to the EMAO trade since 1 January 2019. The previous year's values have been adjusted accordingly.

4.3 TRANSPORT VOLUME PER TRADE

With its balanced positioning on the relevant trades, Hapag-Lloyd was able to increase its transport volume by 118 TTEU to 5,966 TTEU (prior year period: 5,848 TTEU), representing a rise of 2.0% in the first half of 2019 compared to the first half of 2018. Therefore, the growth of the transport volume in the first half of 2019 was slightly lower than the expectation of the company at the beginning of the year.

Transport volume increases, particularly on the Atlantic, Far East, Latin America and EMAO trades, had a positive impact on the transport volume in the reporting period. However, transport volume decreases, particularly on the Middle East and Intra-Asia trades, had a negative effect on the transport volume.

Transport volume per trade [1]

TTEU	Q2 2019	Q1 2019	Q2 2018	QoQ change	YoY change	H1 2019	H1 2018	Change
Atlantic	512.6	469.8	474.9	9%	8%	982.4	913.9	7%
Transpacific	493.9	450.1	483.6	10%	2%	944.0	938.6	1%
Far East	545.2	556.0	524.5	–2%	4%	1,101.2	1,043.5	6%
Middle East	344.0	350.9	362.7	–2%	–5%	694.9	724.6	–4%
Intra-Asia	215.1	220.6	264.6	–2%	–19%	435.7	518.8	–16%
Latin America	712.5	676.7	689.2	5%	3%	1,389.3	1,352.3	3%
EMAO (Europe, Mediterranean, Africa, Oceania)	214.5	204.3	187.2	5%	15%	418.8	356.0	18%
Total	**3,037.7**	**2,928.5**	**2,986.7**	**4%**	**2%**	**5,966.3**	**5,847.8**	**2%**

[1] Due to an organisational change, the transport volumes to / from Djibouti, Sudan and Eritrea have been assigned to the EMAO trade since 1 January 2019. The previous year's values have been adjusted accordingly.

4.4 REVENUE PER TRADE

The Hapag-Lloyd Group's revenue rose by USD 469.9 million to USD 7,046.6 million in the first half of 2019 (prior year period: USD 6,576.7 million), representing an increase of 7.1%. The main reasons for this were the increased transport volumes and the average freight rates.

The USD 42.5 million increase in revenues not assigned to trades was mainly due to higher slotcharter revenues.

Revenue per trade [1]

million USD	Q2 2019	Q1 2019	Q2 2018	QoQ change	YoY change	H1 2019	H1 2018	Change
Atlantic	697.4	634.8	618.6	10%	13%	1,332.3	1,186.1	12%
Transpacific	636.6	602.2	584.5	6%	9%	1,238.9	1,153.4	7%
Far East	468.0	517.1	457.2	–9%	2%	985.1	922.8	7%
Middle East	259.1	265.5	280.3	–2%	–8%	524.6	565.1	–7%
Intra-Asia	118.0	116.4	132.9	1%	–11%	234.4	265.7	–12%
Latin America	815.0	798.8	751.5	2%	8%	1,613.8	1,500.5	8%
EMAO (Europe, Mediterranean, Africa, Oceania)	236.1	224.6	193.1	5%	22%	460.7	368.8	25%
Revenue not assigned to trades	338.6	318.2	338.1	6%	–	656.8	614.4	7%
Total	**3,569.0**	**3,477.6**	**3,356.0**	**3%**	**6%**	**7,046.6**	**6,576.7**	**7%**

[1] Due to an organisational change, the transport volumes to / from Djibouti, Sudan and Eritrea have been assigned to the EMAO trade since 1 January 2019. The previous year's values have been adjusted accordingly.
As a result of the change in presentation of the consolidated income statement, revenue for H1 2018 increased by USD 8.0 million, from USD 6,568.7 million to USD 6,576.7 million.

4.5 OPERATING EXPENSES

Transport expenses decreased by USD 66.6 million in the first half of the 2019 financial year to USD 5,450.7 million (prior year period: USD 5,517.3 million). This represents a slight decrease of 1.2% that is mainly caused by the first-time application of IFRS 16 "Leases" in the first half of 2019. As a result of the application of the standard, expenses for leases which were previously classified as operating leases (essentially medium and long-term charter expenses for vessels and container rental) are no longer recognised within the transport expenses position but rather as amortisation on right of use of leased assets and interest expenses for lease liabilities. This positive effect compensated higher expenses resulting from an increased transport volume, the higher bunker price and the increase in charter capacity as well as higher charter rates.

The increase in bunker expenses of USD 89.3 million (10.6%) to USD 928.7 million primarily results from the significantly higher bunker price in the current reporting period. In the first 6 months of the 2019 financial year, the average bunker consumption price for Hapag-Lloyd was USD 429 per tonne, up USD 44 per tonne (11.4%) on the figure of USD 385 per tonne for the prior year period.

Personnel expenses sank by USD 8.9 million (–2.3%) to USD 374.8 million in the first half of 2019 (prior year period: USD 383.7 million).

Depreciation and amortisation came to USD 640.2 million in the first half of the 2019 financial year (prior year period: USD 407.5 million). The year-on-year increase in depreciation and amortisation was primarily due to the effects of the first-time recognition of leased assets in accordance with IFRS 16. The amortisation of rights of use relating to leased and first-time recognised assets (essentially vessels, containers, buildings) led to additional amortisation of USD 230.7 million (prior year period: EUR 0.0 million).

The other operating result came to total expenses of USD 161.0 million in the first half of 2019 (prior year period: total expenses of USD 177.1) and contained the other operating expenses and income. This included mainly IT expenses (USD 79.4 million), administrative expenses (USD 22.2 million) and consultancy fees (USD 18.8 million).

Operating expenses

million USD	Q2 2019	Q1 2019	Q2 2018	QoQ change	YoY change	H1 2019	H1 2018	Change
Transport expenses	**–2,790.5**	**–2,660.2**	**–2,849.6**	**5%**	**–2%**	**–5,450.7**	**–5,517.3**	**–1%**
thereof								
Bunker	–480.7	–448.1	–438.6	7%	10%	–928.7	–839.4	11%
Handling and haulage	–1,402.0	–1,353.8	–1,437.3	4%	–2%	–2,755.8	–2,803.7	–2%
Equipment and repositioning	–332.9	–323.3	–354.8	3%	–6%	–656.3	–712.7	–8%
Vessel and voyage (excluding bunker)	–560.6	–560.1	–573.6	–	–2%	–1,120.8	–1,124.1	–
Pending transport expenses	–14.2	25.1	–45.4	n. m.	–69%	10.9	–37.4	n. m.
Personnel expenses	–185.5	–189.3	–187.9	–2%	–1%	–374.8	–383.7	–2%
Depreciation, amortisation and impairments	–327.3	–312.9	–203.8	5%	61%	–640.2	–407.5	57%
Other operating result	–78.7	–82.4	–76.0	5%	–3%	–161.0	–177.1	9%
Total operating expenses	**–3,382.0**	**–3,244.8**	**–3,317.3**	**4%**	**2%**	**–6,626.8**	**–6,485.6**	**2%**

4.6 UNIT COSTS

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

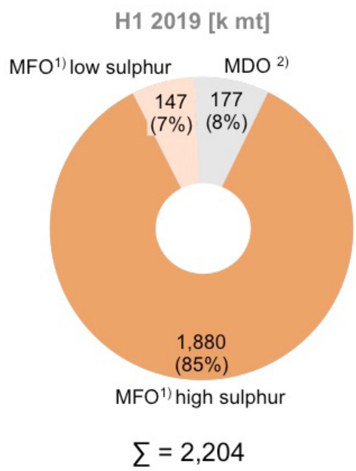
Unit costs

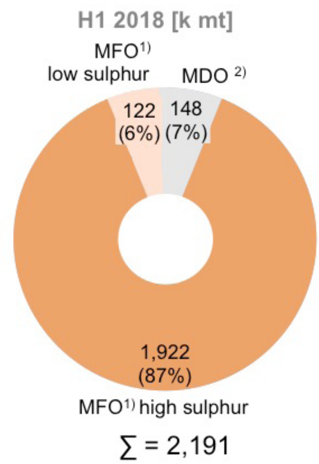
USD/TEU	Q2 2019	Q1 2019	Q2 2018	QoQ change	YoY change	H1 2019	H1 2018	Change
Transport expenses	**–918.6**	**–908.4**	**–954,0**	**1%**	**–4%**	**–913.6**	**–943.5**	**–3%**
thereof						–		
Bunker	–158.2	–153.0	–146,8	3%	8%	–155.7	–143.5	8%
Handling and haulage	–461.5	–462.3	–481,2	–	–4%	–461.9	–479.4	–4%
Equipment and repositioning	–109.6	–110.4	–118,8	–1%	–8%	–110.0	–121.9	–10%
Vessel and voyage (excl. bunker)	–184.6	–191.3	–192,0	–4%	–4%	–187.9	–192.2	–2%
Pending transport expenses	–4.7	8.6	–15,2	n. m.	–69%	1.8	–6,4	n. m.
Depreciation, amortisation and impairment (D&A)	**–107.8**	**–106.9**	**–68,2**	**1%**	**58%**	**–107.3**	**–69,7**	**56%**
Transport expenses incl. D&A	**–1,026.4**	**–1,015.2**	**–1.022,2**	**1%**	**1%**	**–1,020.9**	**–1.013,1**	**1%**

Transport costs per unit (incl. D&A) have almost been stable and only increased slightly by 1% (USD 8/TEU) in the first half of 2019 compared to the prior year period. This increase was mainly driven by higher “Bunker” costs (increase of 8% or USD 12/TEU as compared to the prior year period). Costs for “Handling and haulage” decreased by 4% (USD –18/TEU) as less profitable inland business was actively reduced resulting from the inland project of Strategy 2023. Costs for “Equipment and repositioning” decreased substantially by 10% (USD –12/TEU) due to the application of IFRS 16. Nevertheless, the corresponding increase in depreciation for rented container (USD 18/TEU) more than offset this decrease. Higher costs for the repositioning of empty container drove the net increase of this cost item. Similarly, costs for “Vessel and voyage” decreased due to the application of IFRS 16. The corresponding increase in depreciation for chartered vessels (USD 17/TEU) more than offset this decrease. The net increase of USD 13/TEU was mainly driven by a capacity expansion and an increase in charter prices compared to the prior year period. Nevertheless, the increase was partly offset by higher slotcharter revenues of USD 9/TEU as excess capacity has been sold to a large extend to third parties (see also explanation in section ‘revenue per trade’).

Bunker consumption development

Bunker consumption totalled approximately 2.2 million tonnes in the first 6 months of 2019 and was therefore on a par with the previous year (H1 2018: approximately 2.2 million tonnes). Around 15% (H1 2018: approximately 12%) of this comprised bunkers with a low proportion of sulphur (MFO low sulphur [0.1%], MDO). The efficiency of the container ship fleet is also reflected in the bunker consumption data per slot (as measured by the average annual container storage space) of 2.6 tonnes (H1 2018: 2.8 tonnes). In terms of transported TEU, bunker consumption of 0.37 tonnes per TEU was the same as in the previous year (H1 2018: 0.37 tonnes per TEU).





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

4.7 EARNINGS POSITION

In the reporting period earnings before interest and taxes (EBIT) amounted to USD 439.8 million (including a positive effect from the first-time application of IFRS 16 in the amount of approximately USD 15 million). They were therefore well above the corresponding figure in the prior year period (USD 109.7 million).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at USD 1,080.0 million in the first half of the 2019 financial year (prior year period: USD 517.2 million). This includes a positive effect from the first-time application of IFRS 16 in the amount of approximately USD 245 million.

EBIT and EBITDA margin[1]

million USD	Q2 2019	Q1 2019	Q2 2018	QoQ change	YoY change	H1 2019	H1 2018	Change
Revenue	3,569.0	3,477.6	3,356.0	3%	6%	7,046.6	6,576.7	7%
EBIT	197.1	242.7	47.4	–19%	n. m.	439.8	109.7	n. m.
EBITDA	524.5	555.6	251.2	–6%	n. m.	1,080.0	517.2	n. m.
EBIT margin	5.5%	7.0%	1.4%	–1.5 ppt	4.1 ppt	6.2%	1.7%	4.6 ppt
EBITDA margin	14.7%	16.0%	7.5%	–1.3 ppt	7.2 ppt	15.3%	7.9%	7.5 ppt

[1] Due to the change in presentation of the consolidated income statement, the previous year's values have been adjusted. As a result, EBIT for the first half of 2018 rose by USD 2.3 million, from USD 107.4 million to USD 109.7 million.

The interest result for the first half of the 2019 financial year was USD –254.1 million (prior year period: USD –209.1 million). The increase in interest expenses compared to the first half of 2018 was primarily due to the first-time application of IFRS 16. Here, the inclusion of interest expenses for the new lease liabilities which must now be included in accordance with IFRS 16 resulted in expenses of USD 36.6 million in Q2 2019 (prior year period: EUR 0.0 million). As a result of the prepayment of a bond, one-off effects of USD –25.0 million as a result of repayment costs, the disposal of associated embedded derivatives and other associated transaction costs were also recognised in expenses.

The generally higher interest rates level also had a negative effect on interest expenses. By contrast, the valuation of the embedded derivatives of the bonds resulted in income of USD 14.2 million (prior year period: loss of USD 4.0 million), which had a positive impact on the interest result.

The Group profit came to USD 165.2 million in the first 6 months of 2019 (prior year period: USD –122.3 million).

5. GROUP NET ASSET POSITION

Group net asset position

million USD	30.6.2019	31.12.2018
Assets		
Non-current assets	15,585.3	14,709.1
of which fixed assets	15,526.1	14,645.7
Current assets	2,695.1	2,812.6
of which cash and cash equivalents	515.4	752.4
Total assets	**18,280.4**	**17,521.7**
Equity and liabilities		
Equity	7,208.3	7,167.5
Borrowed capital	11,072.1	10,354.2
of which non-current liabilities	6,660.6	6,487.4
of which current liabilities	4,411.5	3,866.8
of which financial debt and lease liabilities	7,605.0	6,891.1
of which non-current financial debt and lease liabilities	6,206.1	6,070.8
of which current financial debt and lease liabilities	1,398.9	820.3
Total equity and liabilites	**18,280.4**	**17,521.7**

As at 30 June 2019, the Group's balance sheet total was USD 18,280.4, which is USD 758.7 million higher than the figure at year-end 2018. The main reason for the increase in the balance sheet total is the first-time application of IFRS 16 from 1 January 2019.

Within non-current assets, the carrying amounts of fixed assets increased by a total of USD 880.4 million to USD 15,526.1 million (31 December 2018: USD 14,645.7 million). This rise was primarily due to the first-time application of IFRS 16 and the associated recognition of the right of use relating to lease contracts in the amount of USD 982.7 million as at 1 January 2019 (31 December 2018: EUR 0.0 million). The increase also resulted from recognition of the right of use of leased assets for lease contracts closed within the first half of 2019 of USD 437.5 million as well as further investments totalling USD 144.2 million relating primarily to containers and ship equipment.

Depreciation and amortisation of USD 640.2 million in H1 2019 had an opposite effect (prior year period: USD 407.5 million). This figure includes an amount of USD 230.7 million for additional amortisations of the rights of use according to the newly implemented standard IFRS 16.

Cash and cash equivalents of USD 515.4 million decreased by USD 237.0 million compared to the end of 2018 (USD 752.4 million).

On the liabilities side, equity (including non-controlling interests) grew by USD 40.8 million to a total of USD 7,208.3 million. This increase is mainly due to the Group profit of USD 165.2 million. By contrast, the payment of a dividend by Hapag-Lloyd AG for the 2018 financial year in the amount of USD 29.8 million, the measurement of pension provisions through other comprehensive income in the amount of USD –50.5 million as a result of the interest rate reduction and the adjustment of opening balance sheet values due to the first-time application of IFRS 16 as at 1 January 2019 in the amount of USD –20.0 million had an offsetting effect. The equity ratio was 39.4% as at 30 June of the current year (31 December 2018: 40.9%).

The Group's borrowed capital has risen by USD 717.9 million to USD 11,072.1 million since the 2018 financial statements were prepared, which was mainly due to an increase in financial debt and lease liabilities by USD 713.9 million to USD 7,605.0 million as at 30 June 2019. The main reason for the increase in financial debt and lease liabilities was the first-time application of IFRS 16, which led to the recognition of additional lease liabilities of USD 1,085.1 million as at 1 January 2019. Cash inflows for new financings, recognition of financial debts for new lease obligations also caused borrowed capital to increase. Debt repayments totalling USD 1,496.2 million including an early redemption of a EUR bond in the amount of EUR 450 million reduced financial debt.

Taking cash and cash equivalents and financial debt and lease liabilities into account, net debt as at 30 June 2019 was USD 7,089.7 million (31 December 2018: USD 6,131.3 million).

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 H1 2019 on the Hapag-Lloyd company website.

6. GROUP FINANCIAL POSITION

6.1 DEVELOPMENTS IN CASH AND CASH EQUIVALENT

Development of liquidity reserve

million USD	Q2 2019	Q2 2018	H1 2019	H1 2018
Cash and cash equivalents beginning of the period	644.3	736.5	752.4	725.2
Unused credit lines beginning of the period	545.0	495.0	545.0	545.0
Liquidity reserve beginning of the period	**1,189.3**	**1,231.5**	**1,297.4**	**1,270.2**
EBITDA	524.4	251.2	1,080.0	517.2
Working capital	–112.9	–35.5	–39.0	24.2
Others	–20.7	–29.9	–41.4	–43.6
Operating cash flow	**390.8**	**185.8**	**999.6**	**497.8**
Investments	–21.8	–28.8	–187.2	–125.2
thereof vessel	–8.4	–8.0	–26.7	–39.5
thereof container	–3.5	–18.6	–146.1	–79.0
thereof other	–9.9	–2.2	–14.4	–6.7
Cash received from acquisitions	–	0.3	–	0.3
Disinvestments	10.9	7.1	22.1	30.9
Dividends received	32.2	39.1	32.4	39.4
Investing cash flow	**21.3**	**17.7**	**–132.7**	**–54.6**
Capital increase	–	–	–	–
Payments for capital increase	–	–	–	–2.4
Payments made from changes in ownership interests	–	–	–	–
Debt intake	452.1	8.9	726.3	197.9
Debt repayment	–722.4	–218.3	–1,258.8	–560.1
Repayment of Finance Lease liabilities	–127.9	–8.7	–237.4	–17.2
Dividends paid	–32.6	–2.0	–36.3	–12.3
Interest	–117.2	–81.0	–245.7	–182.7
Payments made from hedges for financial debts	–0.3	–7.7	–59.5	39.7
Change in restricted cash	7.2	11.8	7.4	11.7
Financing cash flow	**–541.1**	**–297.0**	**–1,104.0**	**–525.4**
Changes due to exchange rate fluctuations	–	–	–	–
Liquidity reserve end of the period	**1,060.3**	**1,163.0**	**1,060.3**	**1,163.0**
Cash and cash equivalents end of the period	515.3	643.0	515.3	643.0
Unused credit lines end of the period	545.0	520.0	545.0	520.0

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of USD 999.6 million in the first half of the 2019 financial year (prior year period: USD 497.8 million). The increase in cash flow from operating activities was positively affected by the application of IFRS 16 in the first quarter of 2019 as redemption payments and interests of the lease payments are disclosed as cash flow from financing activities instead of cash flow from operating activities according to IFRS 16.

Cash flow from investing activities
In the first half of 2019 the cash outflow from investing activities totalled USD 132.6 million (prior year period: USD 54.6 million) and related to payments for investments of USD 187.2 million (prior year period: USD 125.2 million), primarily in containers and ship equipment. These included payments in the amounts of USD 106.9 million for containers acquired in the prior year. This contrasted with cash inflows of USD 22.1 million, which were primarily due to the sale of containers in the first half of 2019.

Cash flow from financing activities
Overall, there was a cash outflow from financing activities in the current reporting period in the amount of USD 1.104,0 (prior year period: USD 525.4 million) which mainly comprised interest and redemption payments of USD 1,741.9 million (prior year period USD 760.0).

Interest and redemption payments in the first half of 2019 include the partial repayment of the ABS programme in the amount of USD 200.0 million and for the first time repayments for lease liabilities in accordance with IFRS 16 in the amount of USD 256.5 million. In the first half of 2019, Hapag-Lloyd completely prepaid a bond in the amount of EUR 450.0 million before its 2022 due date.

The cash outflows are contrasted by cash inflows totalling USD 726.3 million (prior year period: USD 197.9 million). In connection with the early bond repayment a new revolving credit line in the amount of USD 113.0 million has been utilised. Further significant inflows result from the financing of containers using Japanese operating leases ("JOLs") in the amount of USD 128.4 million, drawdowns under the existing ABS programme in the amount of USD 247.8 million, loans to refinance vessels in the amount of USD 188.0 million and the cash inflow from an unsecured term loan in the amount of USD 45.3 million. There were also cash outflows from the realisation of derivative financial instruments used to hedge financial debt in the amount of USD 59.5 million (prior year period: cash inflow of USD 39.7 million).

6.2 FINANCIAL SOLIDITY

The Group's net debt amounted to USD 7,089.7 million as at 30 June 2019. This was a rise of USD 958.9 million compared to net debt of USD 6,131.3 million as at 31 December 2018.

The increase was essentially due to the application of the reporting standard IFRS 16 from 1 January 2019. The recognition of the lease liability associated with the first-time recognition of rights of use relating to leases (primarily for medium and long-term charter expenses for vessels and for container leases) led to an increase of USD 1,085.1 million in financial debt as at 1 January 2019. By contrast, redemption of short and long-term financial debts and lease liabilities in the amount of USD 1,496.2 million, especially the early repayment of an EUR bond in the amount of EUR 450.0 million, had an offsetting effect.

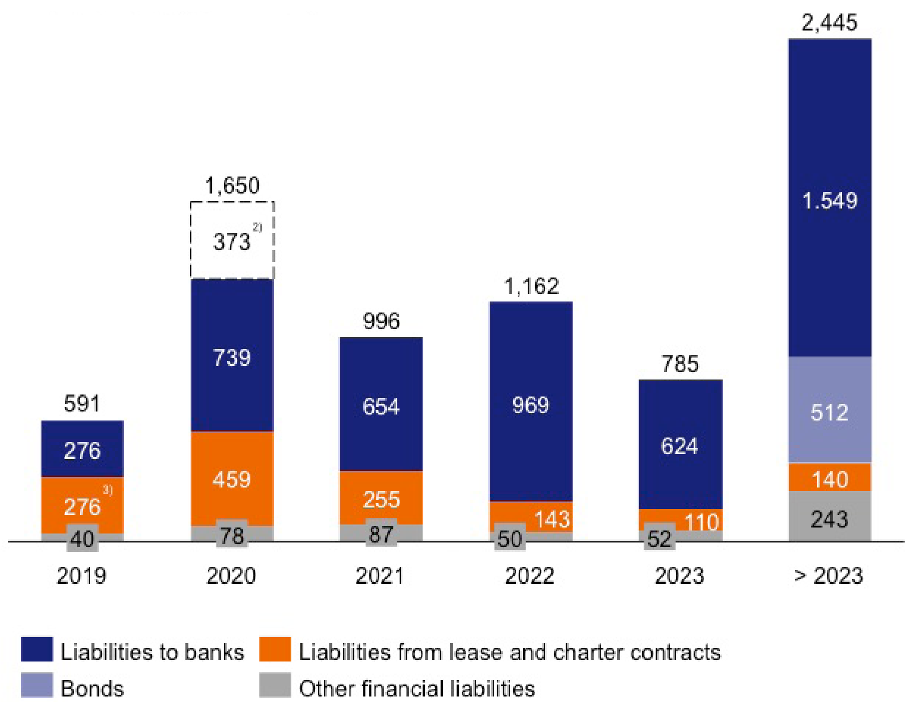
Without financial debt resulting from the introduction of IFRS 16 the group's net debt amounts to USD 5,802.9 million as at 30 June 2019. As such, the target of a Net Debt to EBITDA (LTM) ratio (prior IFRS 16) of 3.5x has been already achieved as at 30 June 2019.

The equity ratio decreased by 1.5% points, from 40.9% as at 31 December 2018 to 39.4% which was mainly due to the first time adoption of IFRS 16 and the corresponding increase in financial debt. Gearing – the ratio of net debt to balance sheet equity – increased from 85.5% to 98.4% as a result.

Financial solidity

million USD	30.6.2019	31.12.2018	30.6.2018
Financial debt	7,605.0	6,891.0	7,182.2
Cash and cash equivalents	515.4	752.4	643.0
Restricted cash	–	7.4	46.9
Net debt	**7,089.7**	**6,131.3**	**6,492.3**
Unused credit lines	545.0	545.0	520.0
Liquidity reserve	**1,060.4**	**1,297.4**	**1,163.0**
Equity	7,208.3	7,167.5	7,155.0
Gearing (net debt / equity)	**98.4%**	**85.5%**	**90.7%**
Equity ratio	**39.4%**	**40.9%**	**40.9%**

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



[1] As of January 2018 financial debt profile has been changed to the statement of repayment amounts. Deviation from the total financial debt as shown in the balance sheet as per 30 June 2019 consists of transaction costs and accrued interest

[2] ABS program prolongated until 2020

[3] Liabilities from lease and charter contracts consist of USD 96 million liabilities from former finance lease contracts and USD 1,287 million from charter contracts presented as on-balance financial liability due to first-time application of IFRS 16

The total repayment amount of USD 7,629 million is categorized between (1) liabilities to banks, (2) bonds, (3) liabilities from lease and on-balance charter contracts and (4) other financial liabilities.

Liabilities to banks comprise loans to finance the existing fleet of vessels and containers. Furthermore, liabilities to banks include the ABS programme (USD 373 million), a revolving line collateralized by receivables.

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

7. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

8. OUTLOOK

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

In its latest economic outlook (July 2019), the International Monetary Fund (IMF) expects global economic growth to reach 3.2% in the current year. As such, expected economic growth is down by 0.1 percentage points on the previous forecast (April 2019). As per the current forecast, the global economy is expected to grow at a slightly slower rate in 2019 than in the previous year (+3.6%). According to the IMF, the volume of global trade, which is key to the demand for container shipping services, will increase by 2.5% in 2019 (2018: +3.7%). The institute has therefore cut its forecast from April 2019 again substantially by 0.9 percentage points. Nevertheless, global trade is still expected to grow in line with the global economy in 2019. IHS Markit (May 2019) is forecasting that the global container shipping volume will increase by 3.8% to approximately 171 million TEU in 2019 (2018: 5.2%). IHS has lowered its forecast by 0.9 percentage points compared to its last one, published in January 2019. However, in its last publication, the Institute changed its forecasting methodology and thus also adjusted the previous year's figure. Comparability with previous publications is therefore only possible to a limited extent. Nevertheless, the expected rise in worldwide transport volumes in container shipping for 2019 is in line with the rate of growth for global trade.

Following a rise in transport capacities (following scrapping and delays in deliveries) of approximately 1.2 million TEU to 22.0 million TEU in 2018, Drewry forecasts a nominal increase in transport capacities of up to approximately 0.7 million TEU for the current year. In relation to the total capacity of the global trading fleet, this represents an increase of around 3.3%. At the start of the year, Drewry anticipated growth of around 0.5 million TEU due to a higher anticipated scrapping rate. Although the increase is expected to be lower than in the previous year (5.7%) and the supply of global transport capacity is much more in line with demand for container transport services, the delivery of large vessels for use on the Far East trade could also make it difficult to increase freight rates on this trade in 2019.

Hapag-Lloyd continues to anticipate an increase in the transport volume in 2019. However, the anticipated transport volume growth is expected to be below the latest forecast issued by IHS Markit. The main reason for this development is the active capacity reduction in the Intra-Asia trade, which is part of Hapag-Lloyd's strategic realignment under Strategy 2023. Based on these assumptions, and combined with a smaller increase in the global transport capacity than in the previous year, Hapag-Lloyd's average freight rate in 2019 is likely to increase slightly compared with the previous year. Based on the development of the average bunker consumption price in the first half of 2019 and the current expectation for its development over the rest of the year, Hapag-Lloyd anticipates a slight increase in the average bunker consumption price for 2019 compared with the corresponding figure for 2018 (start of year: moderate increase in average bunker consumption price).

Provided that Hapag-Lloyd achieves the expected freight rate, the anticipated improvement in revenue quality combined with a low triple-digit amount in cost savings as part of Strategy 2023, and the expected growth in volumes, it is forecasting EBITDA of EUR 1.6 – 2.0 billion and EBIT of EUR 0.5 – 0.9 billion in 2019. This includes a currently anticipated earnings effect from the first-time application of IFRS 16 on EBITDA in the amount of EUR 370 – 470 million and on EBIT in the amount of EUR 10 – 50 million. The expected effects of the first-time application of IFRS 16 on the statement of financial position and the income statement are described in detail in the condensed Notes of the audited Half-Year Financial Report H1 2019 which can be found on the Hapag-Lloyd company website. Not accounted for here are impairments on goodwill, other intangible assets and property, plant and equipment, which, although not expected at present, cannot be ruled out given current geopolitical developments and other factors. The earnings forecast is based on the assumption of unchanged exchange rates.

Key benchmark figures for the 2019 outlook

Global economic growth (IMF)	3.2%
Increase in global trade (IMF)	2.5%
Increase in global container transport volume (IHS)	3.8%
Transport volume, Hapag-Lloyd	Slightly increasing
Average bunker consumption prices, Hapag-Lloyd	Slightly increasing
Average freight rate, Hapag-Lloyd	Slightly increasing
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	EUR 1.6 – 2.0 billion
Earnings before interest and taxes (EBIT)	EUR 0.5 – 0.9 billion

The benchmark figures for the 2019 outlook, which relate to transport volume, the average freight rate and the key performance indicators of EBITDA and EBIT, therefore remain unchanged on the forecast published in the 2018 annual report. By contrast, the forecast for the expected development of average bunker consumption prices was adjusted slightly as outlined above.

Business developments at Hapag-Lloyd are subject to far-reaching risks in an industry environment dominated by volatile freight rates and stiff competition. The general risks are described in detail in the risk report in the Group management report of the 2018 annual report (page 100 ff.). Risks that may have an impact on the forecast for business development are also described in detail in the risk report. Deviations from the presentation in the 2018 annual report are explained in the risk and opportunity report of this half-year financial 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 the average freight rate. 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 remaining months of 2019, which could also lead to impairments on goodwill, other intangible assets and property, plant and equipment.

IMPORTANT NOTICE

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

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

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

For reconciliation to the Interim Report H1 2019, please find below the respective exchange rates:

- Values for Q1 2018 have been converted at the respective Q1 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
- Values for Q1 2019 have been converted at the respective Q1 2019 exchange rates
- Values for Q2 2019 have been calculated by subtracting the Q1 2019 figures from the H1 2019 figures
- Values for H1 2019 have been converted at the respective H1 2019 exchange rates

Exchange rates

	Closing rate			Average rate		
per EUR	**30.6.2019**	31.3.2019	30.6.2018	**H1 2019**	Q1 2019	H1 2018
US dollars	1.1383	1.1231	1.1641	1.1296	1.1354	1.2109

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.

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

14 NOVEMBER 2019
Quarterly Financial Report of the first 9 months of 2019

IMPRINT

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