Q2 | H1 2018

Hapag-Lloyd AG

Investor Report

1 January to
30 June 2018

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES

		Q2 2018	Q2 2017	H1 2018	H1 2017	Change
Key operating figures [1]						
Total vessels, of which		226	219	226	219	3%
Own vessels		98	112	98	112	–13%
Leased vessels		14	8	14	8	75%
Chartered vessels		114	99	114	99	15%
Aggregate capacity of vessels	TTEU	1,608	1,557	1,608	1,557	3%
Aggregate container capacity	TTEU	2,487	2,287	2,487	2,287	9%
Bunker price (MFO, average for the period) [2]	USD/t	384	300	372	300	24%
Bunker price (MDO, average for the period) [3]	USD/t	600	473	578	471	23%
Bunker price (combined MFO/MDO, average for the period)	USD/t	399	312	385	312	23%
Freight rate (average for the period) [4]	USD/TEU	1,010	1,072	1,020	1,065	–4%
Transport volume	TTEU	2,987	2,287	5,848	4,221	39%
Revenue	million USD	3,352	2,629	6,569	4,900	34%
Transport expenses [5]	million USD	2,815	2,130	5,463	4,032	36%
EBITDA [6]	million USD	245.1	252.9	514.9	397.0	30%
EBIT [6]	million USD	41.3	92.4	107.4	100.4	7%
Group profit/loss [6]	million USD	–80.1	17.2	–122.3	–44.6	n.m.
Cash flow from operating activities	million USD	185.8	174.3	497.8	332.0	50%
Investment in property, plant and equipment	million USD	86.1	78.1	133.1	199.8	–33%
Key return figures [1]						
EBITDA margin (EBITDA/revenue) [6]	%	7.3	9.6	7.8	8.1	–0.3 ppt
EBIT margin (EBIT/revenue) [6]	%	1.2	3.5	1.6	2.0	–0.4 ppt
Key balance sheet figures as at 30 June [7]						
Balance sheet total	million USD	17,459	17,777	17,459	17,777	–2%
Equity	million USD	7,155	7,263	7,155	7,263	–1%
Equity ratio (equity/balance sheet total)	%	41.0	40.9	41.0	40.9	0.1 ppt
Borrowed capital	million USD	10,304	10,514	10,304	10,514	–2%
Key financial figures as at 30 June [7]						
Financial debt	million USD	7,182	7,596	7,182	7,596	–5%
Cash and cash equivalents	million USD	643	725	643	725	–11%
Net debt (financial debt – cash and cash equivalents) [8]	million USD	6,492	6,812	6,492	6,812	–5%
Gearing (net debt/equity)	%	90.7	93.8	90.7	93.8	–3.0 ppt
Liquidity reserve		1,163	1,270	1,163	1,270	–8%
Number of employees as at 30 June						
Employees at sea		2,050	1,675	2,050	1,675	22%
Employees on land		10,227	10,910	10,227	10,910	–6%
Hapag-Lloyd total		12,277	12,585	12,277	12,585	–2%

1 The comparison of figures refers to the prior year period 01.01.–30.06.2017

2 MFO = Marine Fuel Oil

3 MDO = Marine Diesel Oil

4 For the financial year 2018, revenues for additional services in Latin America and Turkey were included in the calculation of freight rates. The previous year's figures have been adjusted accordingly.

5 The previous year's figures have been adjusted due to the retrospective application of the rules for designation of option contracts. This improved the previous year's transport expenses by USD 3.9 million.

6 Due to the retrospective application of the provisions for designating options, the previous year's values have been adjusted. This increased the annual profit after taxes for the first half of 2017 by USD 3.9 million. Retained earnings as at 31 December 2017 increased by USD 0.8 million and cumulative other equity dropped by USD 1.2 million. Equity remained unchanged overall.

7 The comparison of figures refers to the balance sheet date 31.12.2017

8 Incl. Restricted Cash booked as other assets: USD 46.9 million as of 30.06.2018, USD 58.6 million as of 31.12.2017

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

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

This report was published on 10 August 2018.

1. HIGHLIGHTS

- Solid volume growth: Compared to the previous year transport volume rises by 38.5% in the first 6 months of the year, mainly due to the inclusion of UASC. On a pro forma basis[1], the transport volume would have increased by 3.9% compared to the previous year
- The freight rate of USD 1,020/TEU is lower than in the previous year (H1 2017: USD 1,065/TEU[2]). On a pro forma basis[1], the average freight rate would have increased by 3.0% compared to the previous year
- The significant rise of USD 73 per tonne in average bunker prices[3] and the inclusion of UASC for the full 6 months result in an increase of 57.4% in expenses for raw materials and supplies compared to the previous year
- Fuel related cost/ bunker prices, charter rates and intermodal cost increase more than originally expected
- The synergy ramp-up as a result of the integration with UASC is progressing in line with expectations
- Positive EBITDA of USD 514.9 million in the first six months of 2018 (H1 2017: USD 397.0 million). EBITDA margin of 7.8% in H1 2018 (H1 2017: 8.1%)
- EBIT of USD 107.4 million above previous year's level (H1 2017: USD 100.4 million)
- Good operating cash flow of USD 497.8 million (H1 2017: USD 332.0 million)
- Liquidity reserve totals USD 1,163.0 million as at 30 June 2018
- Equity ratio almost unchanged at 41.0% (31 December 2017: 40.9%)

[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

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

The IMF's forecast from June 2018 predicts that the volume of global trade, which is key to the demand for container shipping services, will increase by 4.8% in 2018 compared with the previous year. The institute has therefore cut its forecast from April 2018 by 0.3 percentage points. At the same time, however, global trade growth in 2017 was retrospectively increased by 0.2 percentage points to 5.1%, resulting in a higher baseline for 2018. This indicates that global trade growth in the first 6 month of 2018 was in line with IMF expectations. An average growth of 4.1% is expected between 2019 and 2022 (April forecast: average growth of 4.2%).

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

in %	2016	2017	2018e	2019e	2020e	2021e	2022e
Global economic growth	3.2	3.7	3.9	3.9	3.8	3.8	3.7
World trading volume (goods and services)	2.2	5.1	4.8	4.5	4.3	3.9	3.8

Source: IMF

According to industry experts, the container shipping sector is a growth sector with an average annual growth of global container shipping volume 5.1% expected for the period 2019 to 2022 (source: IHS Global Insight, June 2018).

Development of global container transport volume

	2016	2017	2018e	2019e	2020e	2021e	2022e
million TEU	133	141	148	156	164	172	180
Growth rate in %	3.1	5.4	4.9	5.4	5.3	4.9	4.8

Source: IHS Global Insight

On the supply capacity side, the expected growth for 2018 net of delayed deliveries and scrappings is at 5.4% of the total world fleet while the idle fleet is at a very low level of approximately 1.1% (source: Alphaliner Weekly, Issue 27) of the total world fleet at the end of June 2018. Based on the data from Drewry Container Forecaster (Issue Q2 / 2018) the net capacity growth is expected to grow on average by 3.9% of the total world fleet by between 2019 and 2022.

Global capacity development[1]

in %	2016	2017	2018e	2019e	2020e	2021e	2022e
Scheduled capacity growth	6.7	7.7	7.0	5.5	7.5	6.2	5.2
Capacity measures							
Delayed deliveries	2.1	1.9	1.1	0.6	0.8	0.0	0.0
Scrappings	3.3	2.0	0.5	1.6	2.0	2.0	2.1
Net capacity growth	1.2	3.8	5.4	3.4	4.8	4.3	3.1

Rounding differences may occur

Source: Drewry, Alphaliner

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

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

Structure of Hapag-Lloyd's vessel and container fleet

	30.6.2018	31.12.2017	30.6.2017
Number of vessels	**226**	**219**	**219**
Aggregate capacity of vessels (TTEU)	**1,608**	**1,573**	**1,557**
thereof			
Number of own vessels	98	102	112
Aggregate capacity of own vessels (TTEU)	946	959	1,006
Number of leased vessels	14	14	8
Aggregate capacity of leased vessels (TTEU)	104	105	52
Number of chartered vessels	114	103	99
Aggregate capacity of chartered vessels (TTEU)	557	509	498
Aggregate container capacity (TTEU)	**2,487**	**2,349**	**2,287**
Number of services	**120**	**120**	**129**

As at 30 June 2018, Hapag-Lloyd's fleet comprised a total of 226 container ships (31 December 2017: 219 ships). The TEU capacity of the entire Hapag-Lloyd fleet as at 30 June 2018 was 1,607,750 TEU, which was a slight increase compared to 31 December 2017 (1,573,377 TEU). The share of ships owned outright by Hapag-Lloyd was approximately 65% as at 30 June 2018 based on TEU capacity (31 March 2018: approximately 66%).

As at 30 June 2018, the average age of Hapag-Lloyd's total fleet (capacity-weighted) was 7.4 years. The average ship size within the Hapag-Lloyd Group fleet is 7,114 TEU, which is approximately 22% above the comparable average figure for the ten largest container liner shipping companies (30 June 2018: 5,837 TEU) and around 73% above the average ship size in the global fleet (30 June 2018: 4,120 TEU).

As at 30 June 2018, Hapag-Lloyd owned or rented 1,513,642 containers (31 December 2017: 1,435,345) with a capacity of 2,487,277 TEU for shipping cargo (31 December 2017: 2,348,602 TEU). The capacity-weighted share of containers owned by the Group stood at around 52% as at 30 June 2018 and was therefore slightly lower compared to 31 December 2018 (54%).

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

4. HAPAG-LLOYD: GROUP EARNINGS POSITION

4.1 FREIGHT RATE PER TRADE

Including the UASC Group, the average freight rate in the first half of 2018 was USD 1,020/TEU and was therefore USD 45/TEU down on the prior year period (USD 1,065/TEU with the UASC Group since 24 May 2017). Besides the inclusion of the UASC Group, which had a lower freight rate level overall, the main reason for the decline was the ongoing competitive market environment.

On a comparable basis (if the UASC Group had been included from Q1 2017), the average freight rate for the prior year period would have been USD 990/TEU. This would have meant an increase of USD 30/TEU, or 3.0%, in the average freight rate.

Freight rate per trade[1]

USD/TEU	Q2 2018	Q1 2018	Q2 2017	QoQ change	YoY change	H1 2018	H1 2017	Change
Atlantic	1,303	1,293	1,287	1%	1%	1,298	1,290	1%
Transpacific	1,209	1,250	1,249	–3%	–3%	1,229	1,234	0%
Far East	872	897	985	–3%	–12%	884	950	–7%
Middle East	767	783	950	–2%	–19%	775	890	–13%
Intra-Asia	503	522	607	–4%	–17%	512	576	–11%
Latin America	1,090	1,130	1,040	–4%	5%	1,110	1,045	6%
EMAO (Europe, Mediterranean, Africa, Oceania)	1,077	1,081	1,047	0%	3%	1,079	1,030	5%
Total	**1,010**	**1,029**	**1,072**	**–2%**	**–6%**	**1,020**	**1,065**	**–4%**

For the financial year 2018, revenues for additional services in Latin America and Turkey were included in the calculation of freight rates. The previous year's figures have been adjusted accordingly.

4.2 TRANSPORT VOLUME PER TRADE

With the inclusion of the UASC Group and its balanced positioning in all trades, Hapag-Lloyd was able to increase its transport volume by 1,627 TTEU to 5,848 TTEU (prior year period: 4,221 TTEU with the UASC Group since 24 May 2017), representing a rise of 38.5%. On a comparable basis (if the UASC Group had been included from Q1 2017), the transport volume (prior year period: 5,631 TTEU) in the first six months of 2018 would have increased by 217 TTEU, representing a rise of 3.9%.

Transport volume per trade [1]

TTEU	Q2 2018	Q1 2018	Q2 2017	QoQ change	YoY change	H1 2018	H1 2017	Change
Atlantic	475	439	428	8%	11%	914	818	12%
Transpacific	484	455	403	6%	20%	939	789	19%
Far East	525	519	322	1%	63%	1,044	537	94%
Middle East	379	375	203	1%	87%	754	326	131%
Intra-Asia	267	257	186	4%	44%	524	338	55%
Latin America	689	663	612	4%	13%	1,352	1,163	16%
EMAO (Europe, Mediterranean, Africa, Oceania)	168	153	134	10%	26%	321	250	28%
Total	**2,987**	**2,861**	**2,287**	**4%**	**31%**	**5,848**	**4,221**	**39%**

[1] Rounding differences may occur

4.3 REVENUE PER TRADE

The Hapag-Lloyd Group's revenue rose by USD 1,669.0 million to 6,568.7 million in the first half of 2018 (prior year period: USD 4,899.7 million with the UASC Group since 24 May 2017), representing an increase of 34%. This was primarily due to the growth in transport volumes as a result of incorporating the UASC Group.

Revenue per trade [1, 2]

million USD	Q2 2018	Q1 2018	Q2 2017	QoQ change	YoY change	H1 2018	H1 2017	Change
Atlantic	618.6	567.5	551.1	9%	12%	1,186.1	1,054.5	12%
Transpacific	584.5	569.0	503.2	3%	16%	1,153.5	973.6	18%
Far East	457.2	465.6	317.4	–2%	44%	922.8	510.0	81%
Middle East	290.8	293.6	192.6	–1%	51%	584.4	290.2	101%
Intra-Asia	134.2	134.3	112.8	0%	19%	268.5	194.9	38%
Latin America	751.5	749.0	635.8	0%	18%	1,500.5	1,215.3	23%
EMAO (Europe, Mediterranean, Africa, Oceania)	181.3	165.2	140.0	10%	30%	346.5	257.8	34%
Revenue not assigned to trades	333.4	273.0	175.9	22%	90%	606.4	403.4	50%
Total	**3,351.5**	**3,217.2**	**2,628.8**	**4%**	**27%**	**6,568.7**	**4,899.7**	**34%**

[1] Rounding differences may occur

[2] For the financial year 2018, revenues for additional services in Latin America and Turkey were included in the calculation of freight rates. The previous year's figures have been adjusted accordingly.

4.4 CONSOLIDATED INCOME STATEMENT

Consolidated income statement[1]

million USD	Q2 2018	Q1 2018	Q2 2017	QoQ change	YoY change	H1 2018	H1 2017	Change
Revenue	**3,351.5**	**3,217.2**	**2,628.8**	**4%**	**27%**	**6,568.7**	**4,899.7**	**34%**
Other operating income	11.8	44.1	86.3	–73%	–86%	55.9	114.3	–51%
Transport expenses	–2,815.4	–2,647.9	–2,130.3	6%	32%	–5,463.3	–4,031.6	36%
Personnel expenses	–183.8	–206.0	–216.3	–11%	–15%	–389.8	–373.3	4%
Depreciation, amortisation and impairment	–203.8	–203.7	–160.5	0%	27%	–407.5	–296.6	37%
Other operating expenses	–127.8	–147.5	–127.6	–13%	0%	–275.3	–232.2	19%
Operating result	**32.5**	**56.2**	**80.4**	**–42%**	**–60%**	**88.7**	**80.3**	**10%**
Share of profit of equity-accounted investees	8.8	9.9	11.8	–11%	–25%	18.7	19.9	–6%
Other financial result	0.0	0.0	0.2	0%	n.m.	0.0	0.2	n.m.
Earnings before interest and tax (EBIT)	**41.3**	**66.1**	**92.4**	**–38%**	**–55%**	**107.4**	**100.4**	**7%**
Interest result	–107.8	–101.3	–66.3	6%	63%	–209.1	–132.0	58%
Income taxes	–13.6	–7.0	–8.9	94%	53%	–20.6	–13.0	58%
Group profit/loss	**–80.1**	**–42.2**	**17.2**	**90%**	**n.m.**	**–122.3**	**–44.6**	**174%**

[1] Due to the retrospective application of the provisions for designating options, the previous year's values have been adjusted. This increased the annual profit after taxes for the first half of 2017 by USD 3.9 million.

The gross profit margin (ratio of revenue less transport expenses to revenue) for the first six months of the current financial year came to 16.8% (prior year period: 17.7%).

Personnel expenses rose by USD 16.5 million to USD 389.8 million in the first half of 2018 (prior year period USD 373.3 million). This increase mainly results from the higher number of employees due to the integration of UASC.

Depreciation and amortisation came to USD 407.5 million in the first six months of the 2018 financial year (prior year period: USD 296.6 million). The year-on-year increase in depreciation and amortisation was primarily due to the first-time inclusion of the UASC Group as well as depreciation of the newly built ships acquired in 2017.

The interest result for the first six months of the 2018 financial year was USD –209.1 million (prior year period: USD –132.0 million). The rise in interest expenses was primarily due to the financial debt assumed as a result of incorporating the UASC Group, which increased interest expenses by USD 83.9 million. The interest result was also reduced by losses of USD 3.9 million (prior year period: gain of USD 24.7 million) from a change in the fair value of the derivatives embedded in the bonds issued.

The Group recorded a loss of USD 122.3 million in the first half of 2018 (prior year period: loss of USD 44.6 million).

4.5 TRANSPORT EXPENSES

Transport expenses rose by USD 1,431.7 million in the first six months of 2018 to USD 5,463.3 million (prior year period: USD 4,031.6 million). This represents an increase of 35.5% that is primarily due to the acquisition of the UASC group and the relating growth in transport volume as well as increased bunker prices. The increase in the expenses for raw materials and supplies of USD 334.7 million (+57%) to USD 918.0 million primarily results from the significantly higher bunker price in the current reporting period. In the first half of the 2018 financial year, the average bunker consumption price for Hapag-Lloyd was USD 385 per tonne, up USD 73 per tonne on the figure of USD 312 per tonne for the prior year period.

The cost of purchased services rose by USD 1,097.0 million (+32%) which was a lower increase compared to revenue growth. This increase is a reflection of the rise in transport volumes and, in particular, the inclusion of the UASC Group. Thanks to synergy effects resulting from the incorporation of the UASC Group and cost savings from the cost-cutting measures that have now been implemented in full, the increase in transport expenses coming from increased fuel prices and higher charter rates could be compensated to some extent.

Transport expenses [1]

million USD	Q2 2018	Q1 2018	Q2 2017	QoQ change	YoY change	H1 2018	H1 2017	Change
Expenses for raw materials and supplies	489.7	428.3	308.0	14%	59%	918.0	583.3	57%
Cost of purchased services	2,325.7	2,219.6	1,822.3	5%	28%	4,545.3	3,448.3	32%
thereof			0.0					
Port, canal and terminal costs	1,215.7	1,181.7	897.1	3%	36%	2,397.4	1,662.2	44%
Chartering, leases and container rentals	326.7	270.3	238.1	21%	37%	597.0	496.4	20%
Container transport costs	763.7	690.2	615.8	11%	24%	1,453.9	1,155.1	26%
Maintenance / repair / other	19.6	77.4	71.3	–75%	–73%	97.0	134.6	–28%
Transport expenses	**2,815.4**	**2,647.9**	**2,130.3**	**6%**	**32%**	**5,463.3**	**4,031.6**	**36%**

[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 3.9 million.

Transport expenses per unit decreased by 2% in the first half of 2018 compared to the prior year period. Higher expenses for raw materials and supplies (+ USD 18.8 / TEU, +14% as compared to the prior year period) were more than offset by savings in costs for purchased services (- USD 39.6 / TEU, –5% as compared to the prior year period) as a result of the cost-cutting programmes and synergies from the UASC integration.

Quarter on quarter, unit costs for raw materials and supplies increased by USD 14.3 / TEU (+10%) due to a further increase in bunker costs. Costs for chartering, leases and container rentals have increased by USD 14.9 / TEU (+16%), which was mainly driven by higher charter rates and by higher pool costs partly resulting from higher fuel charges. The decrease of costs for maintenance, repair and other by USD 20.5 / TEU (–76%) is mainly explained by currency effects predominantly booked in other.

Transport expenses per TEU [1, 2]

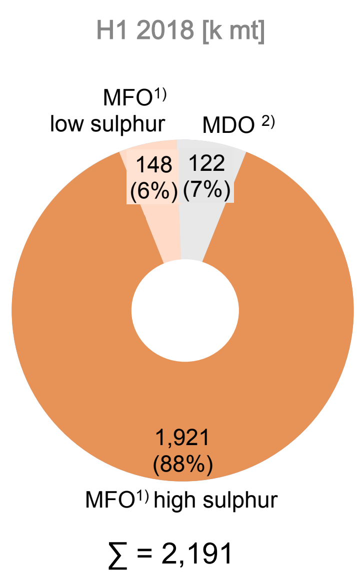
USD / TEU	Q2 2018	Q1 2018	Q2 2017	QoQ change	YoY change	H1 2018	H1 2017	Change
Expenses for raw materials and supplies	164.0	149.7	134.7	10%	22%	157.0	138.2	14%
Cost of purchased services	778.7	775.8	796.8	0%	–2%	777.3	816.9	–5%
thereof								
Port, canal and terminal costs	407.0	413.0	392.3	–1%	4%	410.0	393.8	4%
Chartering, leases and container rentals	109.4	94.5	104.1	16%	5%	102.1	117.6	–13%
Container transport costs	255.7	241.2	269.3	6%	–5%	248.6	273.6	–9%
Maintenance / repair / other	6.6	27.1	31.2	–76%	–79%	16.6	31.9	–48%
Transport expenses	**942.6**	**925.5**	**931.5**	**2%**	**1%**	**934.3**	**955.1**	**–2%**

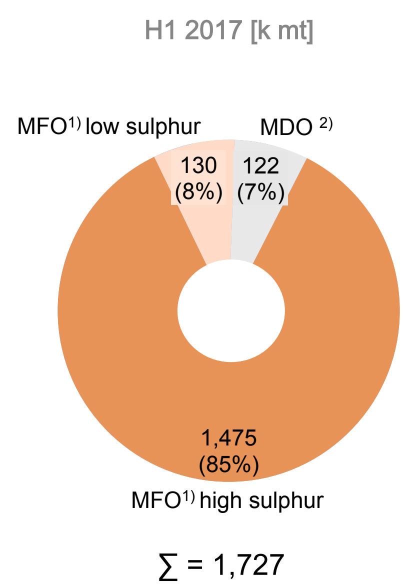
1 Rounding differences may occur

2 The previous year's figures have been adjusted due to the retrospective application of the rules for designation of option contracts. This improved the previous year's transport expenses by USD 3.9 million.

Bunker consumption development

Bunker consumption totalled approximately 2.2 million tonnes in the first half of 2018 (H1 2017, including UASC Group for one month: 1.7 million tonnes). Around 12% (H1 2017, including UASC Group for one month: approximately 15%) 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 (H1 2017, including UASC Group for one month: 0.41 metric tonnes per TEU).





1) MFO = Marine Fuel Oil; 2) MDO = Marine Diesel Oil

Rounding differences may occur

4.6 EARNINGS POSITION

The earnings before interest and taxes (EBIT) amounted to USD 107.4 million in the reporting period. They were therefore slightly above the corresponding figure in the prior year period (USD 100.4). The earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at USD 514.9 million in the first six months of the 2018 financial year (prior year period: USD 397.0 million).

EBIT and EBITDA margin[1]

million USD	**Q2 2018**	Q1 2018	Q2 2017	QoQ change	YoY change	**H1 2018**	H1 2017	Change
Revenue	3,351.5	3,217.2	2,628.8	4%	27%	6,568.7	4,899.7	34%
EBIT	41.3	66.1	92.4	–38%	–55%	107.4	100.4	7%
EBITDA	245.1	269.8	252.9	–9%	–3%	514.9	397.0	30%
EBIT margin	1.2%	2.1%	3.5%	–0.8 ppt	–2.3 ppt	1.6%	2.0%	–0.4 ppt
EBITDA margin	7.3%	8.4%	9.6%	–1.1 ppt	–2.3 ppt	7.8%	8.1%	–0.3 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	**30.6.2018**	31.12.2017	30.6.2017
Assets			
Non-current assets	14,818.4	15,146.1	15,443.3
of which fixed assets	14,756.4	15,071.1	15,169.7
Current assets	2,640.6	2,630.8	2,580.3
of which cash and cash equivalents	643.0	725.2	859.6
Total assets	**17,459.0**	**17,776.9**	**18,023.6**
Equity and liabilities			
Equity	7,155.0	7,263.3	6,763.1
Borrowed capital	10,304.0	10,513.6	11,260.5
of which non-current liabilities	6,678.3	7,197.8	7,712.4
of which current liabilities	3,625.7	3,315.8	3,548.1
of which financial debt	7,182.2	7,595.5	8,339.3
thereof			
Non-current financial debt	6,260.6	6,750.6	7,274.2
Current financial debt	921.6	844.9	1,065.1
Total equity and liabilites	**17,459.0**	**17,776.9**	**18,023.6**

The Group's balance sheet total came to USD 17,459.0 million as at 30 June 2018 and was almost unchanged compared with 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 314.7 million to USD 14,756.4 million. This effect mainly results from the decrease in property, plant and equipment due to the depreciation for vessels and containers of USD 339.6 million. The investments in vessel equipment and containers of USD 123.6 million had a compensating effect.

Current assets increased by USD 9.8 million to USD 2.640.6 million compared to the level as at 31 December 2017, primarily as a result of an increase in trade accounts receivable, including the contract assets to be reported separately since 1 January 2018 and the increase in inventories. These developments are compensated by the decrease in the market values of derivative financial instruments.

Cash and cash equivalents of USD 643.0 million decreased by USD 82.2 million compared to the end of 2017.

On the liabilities side, equity (including non-controlling interests) fell by USD 108.3 million to a total of USD 7,155.0 million mainly driven by the negative group result of USD 122.3 million. However, the equity ratio remained nearly constant at 41.0% as at 30 June of the current year (31 December 2017: 40.9%).

The Group's borrowed capital has fallen by USD 209.6 million to USD 10,304.0 million since the end of 2017. The financial debt, which is included in the borrowed capital, decreased by USD 413.3 million to USD 7,182.2 million. Primarily this decrease is due to debt repayments of USD 552.3 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 2018 on the Hapag-Lloyd company website.

6. GROUP FINANCIAL POSITION

6.1 DEVELOPMENTS IN CASH AND CASH EQUIVALENTS

Development of liquidity reserve

million USD	Q2 2018	Q2 2017	H1 2018	H1 2017
Cash and cash equivalents beginning of the period	736.5	555.2	725.2	602.1
Unused credit lines beginning of the period	495.0	350.0	545.0	200.0
Liquidity reserve beginning of the period	**1,231.5**	**905.2**	**1,270.2**	**802.1**
EBITDA	245.1	249.0	514.9	393.1
Working capital	–35.5	–26.0	24.2	–8.8
Others	–23.8	–48.7	–41.3	–52.3
Operating cash flow	**185.8**	**174.3**	**497.8**	**332.0**
Investments	–28.8	–80.0	–125.2	–201.6
thereof vessel	–8.0	–74.7	–39.5	–193.2
thereof container	–18.6	–1.8	–79.0	–1.8
thereof other	–2.2	–3.5	–6.7	–6.6
Cash received from acquisitions	0.3	407.4	0.3	407.4
Disinvestments	7.1	1.6	30.9	3.3
Dividends received	39.1	30.2	39.4	30.3
Investing cash flow	**17.7**	**359.2**	**–54.6**	**239.4**
Payments for capital increase	0.0	–0.1	–2.4	–0.1
Payments made from changes in ownership interests	0.0	–0.3	0.0	–0.3
Debt intake	8.9	309.4	197.9	984.1
Debt repayment	–227.0	–460.8	–577.3	–1,128.1
Dividends paid	–2.0	–0.8	–12.3	–1.7
Interest	–81.0	–68.0	–182.7	–133.7
Payments made for / received from hedges for financial debts	–7.7	–5.2	39.7	–5.2
Change in restricted cash	11.8	–3.4	11.7	–29.0
Financing cash flow	**–297.0**	**–229.2**	**–525.4**	**–314.0**
Changes due to exchange rate fluctuations	0.0	0.2	0.0	0.0
Liquidity reserve end of the period	**1,163.0**	**1,319.7**	**1,163.0**	**1,319.7**
Cash and cash equivalents end of the period	643.0	859.7	643.0	859.7
Unused credit lines end of the period	520.0	460.0	520.0	460.0

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of USD 497.8 million in the first six months of the 2018 financial year (prior year period: USD 332.0 million).

Cash flow from investing activities

The cash outflows from investing activities totalled USD 54.6 million (prior year period: cash inflow of USD 239.4 million) and related to payments for containers and ship equipment of USD 118.5 million. This contrasted with cash inflows of USD 70.3 million, which were primarily due to the proceeds from dividends (USD 39.4 million) and the sale of the ocean-going vessels held for sale as at 31 December 2017 (USD 19.5 million) in the first half of 2018.

Cash flow from financing activities

Overall, there was a cash outflow from financing activities in the current reporting period in the amount of USD 525.4 million (prior year period: USD 314.0 million) which mainly comprised interest and redemption payments of USD 760.0 million (prior year period: USD 1,261.8.0 million). By contrast, there were cash inflows totalling USD 197.9 million (prior year period: USD 984.1 million) from the increase in the ABS programme in the amount of USD 147.7 million. There were also cash inflows from the realisation of derivative financial instruments used to hedge financial debt in the amount of USD 39.7 million.

6.2 FINANCIAL POSITION

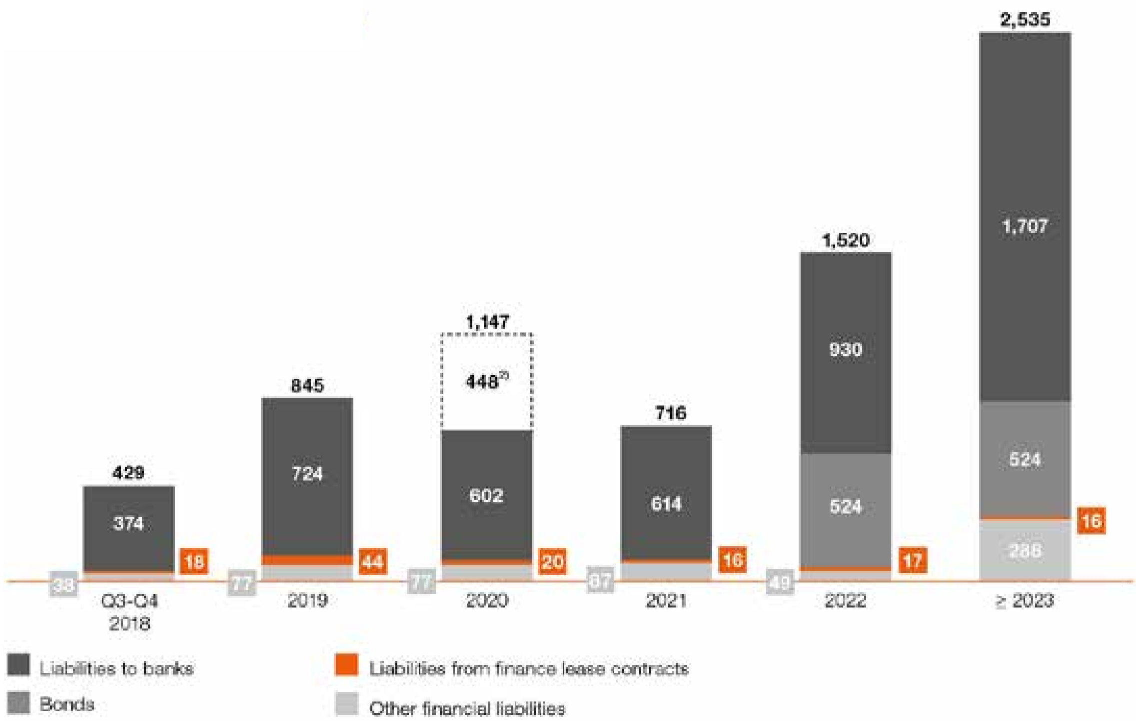
The Group's net debt amounted to USD 6,492.3 million as at 30 June 2018 (31 December 2017: USD 6,811.7 million). The equity ratio of 41.0% is almost unchanged compared with 31 December 2017. Gearing – the ratio of net debt to balance sheet equity – decreased from 93.8% at the end of 2017 to 90.7% as at 30 June 2018.

Restricted cash and cash equivalents in the amount of USD 46.9 million (31 December 2017: USD 58.6 million) essentially comprise cash and cash equivalents which serve as collateral for existing financial debt.

Financial solidity

million USD	30.6.2018	31.12.2017	30.6.2017
Financial debt	7,182.2	7,595.5	8,339.3
Cash and cash equivalents	643.0	725.2	859.6
Restricted Cash	46.9	58.6	71.6
Net debt	**6,492.3**	**6,811.7**	**7,408.1**
Unused credit lines	520.0	545.0	460.0
Liquidity reserve	**1,163.0**	**1,270.2**	**1,319.6**
Equity	7,155.0	7,263.3	6,763.1
Gearing (net debt/equity) (%)	**90.7%**	**93.8%**	**109.5%**
Equity ratio (%)	**41.0%**	**40.9%**	**37.5%**

Financial debt profile (million USD) [1]



[1] As of January 2018 financial debt profile has been changed to the statement of repayment amounts. Deviations from the total financial debt as shown in the balance sheet as per 30.06.2018 consist of transaction costs and accrued interest in the amount of USD 9.9 million

[2] ABS programme prolongated until 2020

The total repayment amount of USD 7,192.0 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 448 million).

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

7. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Annual General Meeting of Hapag-Lloyd AG took place in Hamburg on 10 July 2018. The Annual General Meeting approved the resolution proposals of the Executive Board and Supervisory Board for all agenda items.

In relation to these, it was decided to use the retained earnings of EUR 522,369,447.05 recorded in the 2017 financial year to pay out a dividend of EUR 0.57 per dividend-eligible individual share, which amounts to EUR 100,183,367.01. The residual amount after the dividend has been paid of EUR 422,168,080.04 will be carried forward to the subsequent year.

The dividend was paid out to the shareholders by the custodian banks through Clearstream Banking AG on 13 July 2018.

On 25 July 2018, the international Rating agency Moody's published an updated rating report on Hapag-Lloyd. The company's rating (B2 / outlook stable) remained unchanged.

On 30 July, Hapag-Lloyd conducted a sale and leaseback transaction. An existing ship financing facility with an outstanding amount of USD 151.0 million was replaced by 3 so called Japanese Operating Leases ("JOL") in an aggregate amount of USD 240.0 million.

8. REVISED OUTLOOK

In the medium term, demand for container shipping services should continue to rise in tandem with expected ongoing growth in global trading volume. As a result, the container shipping industry's growth prospects remain intact in the medium term. The statements made on this subject in the "Outlook" section of the Group management report for 2017 therefore remain valid.

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

In its latest economic outlook (July 2018), the International Monetary Fund (IMF) expects global economic growth to reach 3.9% in the current year, unchanged compared to its previous outlook. This forecast means that the global economy is set to grow at a slightly faster rate in 2018 than in the previous year (+3.8%). According to the IMF, the volume of global trade, which is key to the demand for container shipping services, will increase by 4.8% in 2018 (2017: +5.1%). This means that in 2018 the growth in global trade will once again outpace that of the global economy. IHS Global Insight (July 2017) is forecasting that the global container shipping volume will increase by 4.9% to approximately 148 million TEU in 2018 (2017: 5.4%). As such, the expected rise in worldwide transport volumes in container shipping for 2018 would be in line with the rate of growth for global trade.

Following a rise in transport capacities (following scrapping and delays in deliveries) of approximately 0.8 million TEU to 20.8 million TEU in 2017, Drewry forecasts net growth in transport capacities of up to approximately 1.1 million TEU for the current year. The anticipated significant rise, caused by the relatively high number of deliveries of large vessels, could again make it more difficult to implement freight rate increases in the second half of 2018.

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

Assuming that there is a general recovery of freight rates in the second half of the year caused by seasonal effects that are already showing, Hapag-Lloyd's average freight rate in 2018 is likely to be around the same as in the previous year.

Based on developments in the first 5 months of the 2018 financial year and the expected further business performance, the Executive Board of Hapag-Lloyd AG decided on 29 June 2018 to substantiate outlook for the Group's EBIT and EBITDA in the current 2018 financial year with the following range:

Key benchmark figures for the 2018 outlook

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

The reasons for adjusting the forecast are the unexpectedly sharp and ongoing increase in operating costs since the start of this year, in particular with regard to fuel costs and charter rates, combined with a slower than anticipated recovery of freight rates ahead of the peak season.

The selected range reflects the general volatility of the shipping market as well as the high sensitivity of earnings due to changes in the average freight rate.

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

Key benchmark figures for the 2018 outlook

Global economic growth (IMF)	3.9%
Increase in global trade (IMF)	4.8%
Increase in global container transport volume (IHS)	4.9%
Transport volume, Hapag-Lloyd Group	Increasing clearly
Average bunker consumption price, Hapag-Lloyd Group	Increasing clearly
Average freight rate, Hapag-Lloyd Group	On previous year's level
EBITDA (Earnings before interest, taxes, depreciation and amortisation)	EUR 900 – 1,150 m
EBIT (Earnings before interest and taxes)	EUR 200 – 450 m

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

The majority of the earnings are expected to be generated in the second half of the year 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.

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 2017 annual report (page 110 ff.). Risks that may have a further impact on the forecast for business development are also described in detail in the risk report. Significant risks for the Group's revenue and earnings development include a renewed slowdown in global economic and trade volume growth, a sustained, significant and lasting rise in bunker prices extending beyond the level seen as at 30 June 2018, a renewed sharp and lasting increase in the euro against the US dollar and a stagnation or even a renewed reduction in freight rates. Additional risks could result from the further consolidation of the industry and its possible impact on Hapag-Lloyd's competitive position as well as from the changes in the composition of global alliances.

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

IMPORTANT NOTICE

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

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

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

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

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

For reconciliation to the Interim Report H1 2018, please find below the respective exchange rates:

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

Exchange rates

	Closing rate			Average rate				
						HLAG AG	UASC Group	
per EUR	**30.6.2018**	31.12.2017	30.6.2017	**H1 2018**	Q1 2018	H1 2017	Juni 17	Q1 2017
US dollars	1.1641	1.2323	1.1405	1.2109	1.2295	1.0826	1.1237	1.0651

DISCLAIMER

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

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

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

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

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

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FINANCIAL CALENDAR 2018

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Hapag-Lloyd AG
Ballindamm 25
20095 Hamburg
Germany

Investor Relations
Phone: +49 40 3001 – 2896
Fax: +49 40 3001 – 72896
Email: IR@hlag.com
https://www.hapag-lloyd.com/en/ir.html

Layout
Silvester Group

Hapag-Lloyd AG · Ballindamm 25 · 20095 Hamburg · www.hapag-lloyd.com