Q1 | 2018

Hapag-Lloyd AG

Quarterly financial report

1 January to
31 March 2018

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES QUARTERLY FINANCIAL REPORT Q1 2018

		1.1.–31.3. 2018	1.1.–31.3. 2017	Change absolute
Key operating figures [1]				
Totel vessels		221	172	49
Aggregate capacity of vessels	TTEU	1,589	1,008	581
Aggregate capacity of containers	TTEU	2,384	1,583	801
Freight rate (average for the quarter) [2]	USD/TEU	1,029	1,056	–27
Transport volume	TTEU	2,861	1,934	927
Revenue	million EUR	2,616.7	2,132.1	484.6
EBITDA [3]	million EUR	219.4	135.3	84.1
EBIT [3]	million EUR	53.7	7.5	46.2
Group profit/loss [3]	million EUR	–34.3	–58.1	23.8
Earnings per share [3]	EUR	–0.21	–0.50	0.29
Cash flow from operating activities	million EUR	253.8	148.1	105.7
Key return figures [1]				
EBITDA margin (EBITDA/revenue [3]	%	8.4%	6.3%	2.1 ppt
EBIT margin (EBIT/revenue) [3]	%	2.1%	0.4%	1.7 ppt
ROIC (Return on Invested Capital) [4]	%	1.7%	0.2%	1.4 ppt
Key balance sheet figures as at 31 March [1]				
Balance sheet total	million EUR	14,331.4	14,827.8	–496.4
Equity [2]	million EUR	5,869.5	6,058.3	–188.8
Equity ratio (equity/balance sheet total) [2]	%	41.0	40.9	0.1
Borrowed capital	million EUR	8,461.9	8,769.5	–307.6
Financial debt	million EUR	6,049.4	6,335.5	–286.1
Cash and cash equivalents	million EUR	597.7	604.9	–7.2

United Arab Shipping Company Ltd. (until 16 January 2017 S.A.G.) and its subsidiaries (subsequently referred to as UASC or the UASC Group) are included in the Hapag-Lloyd AG group of consolidated companies from the acquisition date of 24 May 2017. In addition to Hapag-Lloyd AG, the group of consolidated companies comprised 160 companies as at 31 March 2018 (31 December 2017: 164 companies). The inclusion of the UASC Group means that the figures for the 2018 financial year are only comparable with those of previous years to a limited extent. The earnings development in the 2017 and 2018 financial years is affected by one-off effects resulting from the presentation of the transaction and the integration in the financial statements.

1 The key operating figures and key return figures refer to the respective reporting period. The comparison of key balance sheet figures refers to the balance sheet date 31 December 2017.

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

3 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 quarter of 2017 by EUR 4.0 million. Retained earnings as at 31 December 2017 increased by EUR 1.0 million and cumulative other equity dropped by EUR 1.0 million. Equity remained unchanged overall.

4 The return on invested capital (ROIC) is calculated as the ratio of net operating profit after taxes (NOPAT) to invested capital (assets excluding cash and cash equivalents less non-financial liabilities). This key operating figure is calculated on an annualised basis and in US dollars.

This quarterly financial report was published on 14 May 2018.

MAIN DEVELOPMENTS IN Q1 2018

- Continued good volume growth: transport volume rises by 47.9% in the first three months of the year, particularly due to UASC. On a pro forma basis[1], the transport volume would have increased by 2.5% compared to the previous year
- The freight rate was USD 1,029/TEU, which was lower than in the previous year (Q1 2017: USD 1,056/TEU[2]). This was due to the ongoing intense competition and the integration of UASC. On a pro forma basis[1], the average freight rate would have increased by 7.1% compared to the previous year
- Average bunker prices[3] rose significantly by USD 59.0 per tonne resulting in 34.8% higher expenses for raw materials, supplies and purchased goods
- At 18.2%, transport expenses (excl. raw materials, supplies and purchased goods)[4] increase at a much lower rate than the increase in transport volume (47.9%) showing the result of the cost-cutting programmes
- Synergy ramp-up as a result of the integration with UASC according to plan
- Clearly positive EBITDA of EUR 219.4 million in first three months of 2018 (Q1 2017: EUR 135.3 million). EBITDA margin of 8.4% in Q1 2018 (Q1 2017: 6.3%)
- EBIT of EUR 53.7 million clearly above the previous year's level (Q1 2017: EUR 7.5 million)
- Strong operating cash flow of EUR 253.8 million (previous year: EUR 148.1 million)
- Liquidity reserve totals EUR 999.4 million as at 31 March 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 2016 and facilitates comparability with regard to the Company's performance.

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

[3] Weighted average of MFO and MDO

[4] The previous year's figures have been adjusted due to the retrospective application of the rules for designation of option contracts. This improved the previous year's transport expenses by EUR 4.0 million.

CONTENTS

INTERIM GROUP MANAGEMENT REPORT

BUSINESS ACTIVITIES

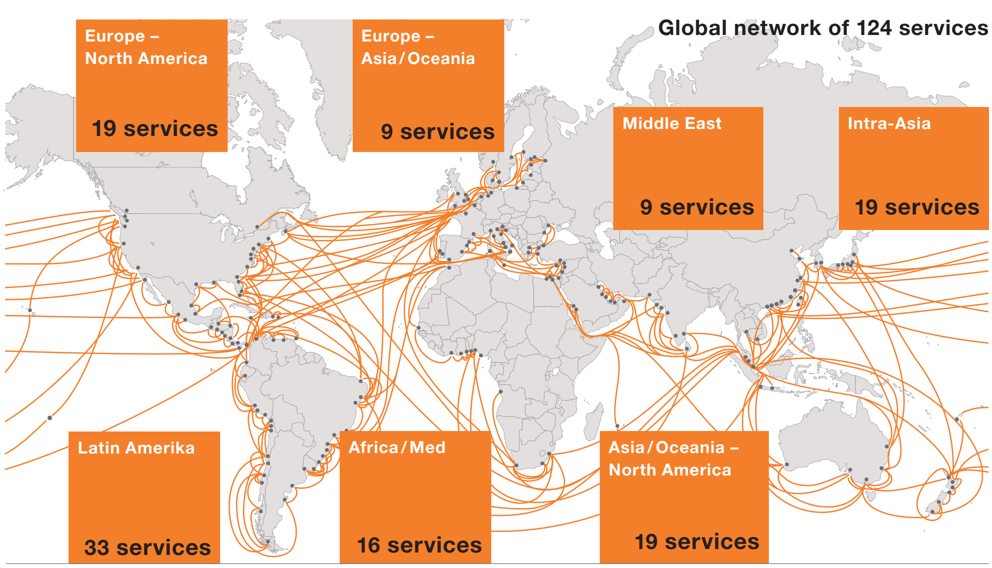
The legal merger between Hapag-Lloyd AG and United Arab Shipping Company Ltd. (UASC) was successfully completed on 24 May 2017. From this date, UASC Ltd. and its subsidiaries (the UASC Group) are included in the consolidated financial statements of Hapag-Lloyd AG. Due to the first-time consolidation of the UASC Group as at 24 May 2017, the previous year's figures are only comparable to a limited extent with the values as at 31 March 2018.

Unless stated otherwise, the figures for the first quarter of 2017 refer to Hapag-Lloyd without the UASC Group.

The Hapag-Lloyd Group is Germany's largest container liner shipping company and is one of the world's leading container liner shipping companies in terms of global market coverage. The Group's core business is the shipping of containers by sea, but also encompasses transport services from door to door.

As at 31 March 2018, Hapag-Lloyd's fleet (including UASC's container ships) comprises 221 container ships (31 March 2017: 172). The Group currently has 387 sales offices in 127 countries and offers its customers worldwide access to a network of 124 liner services. In the first three months of 2018, Hapag-Lloyd served approximately 18,500 customers around the world.

Network of Hapag-Lloyd services



Source: Company data

Since 1 April 2017, Hapag-Lloyd has been operating the THE Alliance together with Kawasaki Kisen Kaisha Ltd. (Japan) ("K" Line), Mitsui O.S.K. Lines Ltd. (Japan) (MOL), Nippon Yusen Kabushiki Kaisha Ltd. (Japan) (NYK) and Yang Ming Marine Transport Corp. Ltd. (Taiwan) (Yang Ming). The Japanese alliance partners merged their container shipping activities on 1 April 2018 and have been operating as Ocean Network Express (ONE) since then.

As at 31 March 2018, the THE Alliance covers all East–West trades with around 239 container ships.

Hapag-Lloyd conducts its container liner shipping business in an international business environment. 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 and the corresponding financing of investments. The functional currency of Hapag-Lloyd AG and its main subsidiaries is the US dollar. The reporting currency of Hapag-Lloyd AG is, however, the euro. For reporting purposes, the assets and liabilities of the Hapag-Lloyd Group are translated into euros using the mean exchange rate on the balance sheet date (closing rate). The cash flows listed in the consolidated statement of cash flows and the expenses, income and result shown in the consolidated income statement are translated at the average exchange rate for the reporting period. The resulting differences are recognised in other comprehensive income.

GROUP OBJECTIVES AND STRATEGY

The prime strategic objective of the Hapag-Lloyd Group is to achieve long-term profitable growth measured on the basis of developments in the transport volume and the key performance indicators of EBITDA and EBIT.

The growing global demand for container transportation is the very foundation of the organic growth which Hapag-Lloyd hopes to achieve.

IHS Global Insight (March 2018) has forecast a rise in global container shipments of 5.3% to around 148 million TEU in 2018 and a further 5.3% to approximately 155 million TEU in 2019. Hapag-Lloyd intends to increase the transport volume organically in line with market growth.

The key internal performance indicators for the Company's operating activities are earnings before interest, taxes, depreciation and amortisation (EBITDA) and earnings before interest and taxes (EBIT). The performance of these key financial indicators is outlined in the section "Group earnings, financial and net asset position". EBITDA is an important indicator of the achievement of sustainable company results and gross cash flows. It has a special significance for capital-intensive companies. Hapag-Lloyd uses EBITDA as an important parameter for investment decisions.

The main factors influencing the development of the operating result indicators are transport volume, freight rate, the US dollar exchange rate against the euro and operating costs including bunker price.

The generation of sustainable cash flows, solid corporate financing, and therefore in particular a sufficient liquidity and equity base, are once again key cornerstones of the Hapag-Lloyd Group's corporate strategy in the 2018 financial year. As at 31 March 2018, the Hapag-Lloyd Group had a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 999.4 million (31 December 2017: EUR 1,059.5 million).

Strategic steps to strengthen the Group's market position and expand its shareholder base

The merger with UASC is regarded as a key strategic step towards strengthening Hapag-Lloyd's market position and competitiveness. It is anticipated that the synergies from the merger with UASC will contribute approximately USD 435 million per annum from the 2019 financial year onwards. The Executive Board of Hapag-Lloyd AG expects that up to 90% of these synergies can be achieved in 2018.

From the Hapag-Lloyd AG Executive Board's perspective, the merger of the Hapag-Lloyd and UASC container shipping activities will bring with it the following advantages:

- Strengthened market position as one of the five largest container liner shipping companies (measured by the container transportation capacity of the fleet) in a container shipping industry characterised by further consolidation
- Enhanced market presence in the attractive Middle East and Far East trade and solid position in all trades
- Efficient and young fleet with a low level of investment needed
- Annual synergies of approximately USD 435 million starting in 2019
- Strong partner in THE Alliance

Following the merger on 24 May 2017, the operational integration of the UASC Group was successfully completed by October 2017. A significant step in the operational integration was the incorporation of all UASC services into Hapag-Lloyd's existing IT system (voyage cut-over) and comprehensive training programmes for the new employees. Office location optimisation projects were also carried out and were largely complete as at the end of the first quarter of 2018.

Following the takeover of UASC in the form of a capital increase in exchange for contributions in kind, UASC's former primary shareholders, Qatar Holding LLC on behalf of the Qatar Investment Authority (QIA) and Public Investment Fund Saudi Arabia (PIF), became additional major shareholders in Hapag-Lloyd AG, with initial stakes in its share capital of 14.4% (QIA) and 10.1% (PIF). The shares held by the other previous UASC shareholders (Kuwait, Iraq, United Arab Emirates and Bahrain) totalling around 3.4% of Hapag-Lloyd shares are included in the free float. CSAV Germany Container Holding GmbH (CSAV), Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV) and Kühne Maritime GmbH together with Kühne Holding AG (Kühne) continue to be anchor shareholders as at 31 March 2018.

The five major shareholders together held 84.6% of the share capital of Hapag-Lloyd AG as at 31 March 2018. CSAV, HGV and Kühne Maritime GmbH have also agreed under a shareholders' agreement to exercise their voting rights from the shares in Hapag-Lloyd AG by issuing a common voting proxy, thereby making important decisions together. The shareholder structure of Hapag-Lloyd AG as at 31 March 2018 was as follows:

Voting rights as at 31 March 2018

in %	
CSAV Germany Container Holding GmbH	25.5
Kühne Holding AG and Kühne Maritime GmbH	21.4
Qatar Holding Germany GmbH	14.5
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	13.9
The Public Investment Fund of the Kingdom of Saudi Arabia	10.2
Free float	14.5
Total	**100.0**

Medium-term objectives

The 2018 financial year will remain focused on the realisation of synergies from the merger with UASC as well as the continuous operational implementation of the THE Alliance. The synergies from the merger with UASC should contribute around USD 435 million a year from the 2019 financial year onwards. The Executive Board of Hapag-Lloyd AG estimates that it will be possible to achieve up to 90% of these synergies in 2018. One-off expenses of approximately USD 3 million were incurred in the first quarter of 2018 from the transaction and implementation of the merger. It is currently assumed that further expenses of approximately USD 7 million for the full integration of UASC's container shipping activities could be incurred by the end of the first half of 2018.

IMPORTANT FINANCIAL PERFORMANCE INDICATORS

Important financial performance indicators for the Hapag-Lloyd Group include EBITDA, the EBIT, the transport volume and the freight rate. Since the 2015 financial year, return on invested capital (ROIC) has also been used as a performance indicator. The development of the most important financial performance indicators in the first three months of 2018 is presented in the section "Group earnings position". ROIC compares net operating profit after tax (NOPAT), defined as EBIT less income taxes, with invested capital as at the reporting date. Invested capital is defined as assets excluding cash and cash equivalents less non-financial liabilities. To facilitate comparison with other international shipping companies, the return on invested capital is calculated and presented exclusively on the basis of the functional currency, the US dollar.

Calculation of the return on invested capital is as follows:

	million EUR			million USD	
	Q1 2018	Q1 2017		**Q1 2018**	Q1 2017
Non-current assets	12,195.5	9,633.2	Non-current assets	15,028.2	10,289.2
Inventory	204.4	141.7	Inventory	251.9	151.3
Accounts receivables	646.3	690.2	Accounts receivables	796.4	737.2
Other assets	687.5	221.1	Other assets	847.3	236.2
Assets	**13,733.7**	**10,686.2**	**Assets**	**16,923.8**	**11,413.9**
Provisions	612.4	576.7	Provisions	754.7	615.8
Accounts payable	1,530.4	1,280.0	Accounts payable	1,885.9	1,367.2
Other liabilities	269.7	258.3	Other liabilities	332.1	276.0
Liabilities	**2,412.5**	**2,115.0**	**Liabilities**	**2,972.7**	**2,259.0**
Invested Capital	**11,321.2**	**8,571.2**	**Invested Capital**	**13,951.1**	**9,154.9**
EBIT	53.7	7.5	EBIT	66.1	8.0
Taxes	5.7	3.8	Taxes	7.0	4.1
Net Operating Profit after Tax (NOPAT)	**48.0**	**3.7**	**Net Operating Profit after Tax (NOPAT)**	**59.1**	**3.9**
			Return on Invested Capital (ROIC)	**1.7%**	**0.2%**

Figures are in USD, rounded, aggregated and calculated on an annualised basis. UASC Ltd. and its subsidiaries are included in Hapag-Lloyd AG's consolidated financial statements from the date control was transferred on 24 May 2017. The presented figures include the effects of the transaction from this date and can therefore only be compared to the prior-year's figures to a limited extent.

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 quarter of 2017 by EUR 4.0 million. Retained earnings as at 31 December 2017 increased by EUR 1.0 million and cumulative other equity dropped by EUR 1.0 million. Equity remained unchanged overall.

IMPORTANT NON-FINANCIAL PRINCIPLES

The optimum utilisation of the available ship and container capacities has a substantial influence on whether Hapag-Lloyd achieves long-term profitable growth. Sustainable and quality-conscious corporate governance and highly qualified and motivated employees are also important principles for Hapag-Lloyd's targeted profitable growth.

Flexible fleet and capacity development

As at 31 March 2018, Hapag-Lloyd's fleet comprised a total of 221 container ships (31 December 2017: 219 ships). All of the ships are certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate. The majority of the ships are certified as per ISO 9001 (quality management) and ISO 14001 (environmental management). The TEU capacity of the entire Hapag-Lloyd fleet as at 31 March 2018 was 1,589,446 TEU, which was a slight increase compared to 31 December 2017 (1,573,377 TEU). The share of ships owned outright by Hapag-Lloyd was approximately 66% as at 31 March 2018 based on TEU capacity (31 December 2017: approximately 68%).

As at 31 March 2018, the average age of Hapag-Lloyd's total fleet (capacity-weighted) was 7.1 years. The average ship size within the Hapag-Lloyd Group fleet is 7,192 TEU, which is approximately 25% above the comparable average figure for the ten largest container liner shipping companies (31 March 2018: 5,235 TEU) and around 77% above the average ship size in the global fleet (31 March 2018: 4,068 TEU).

As at 31 March 2018, Hapag-Lloyd owned or rented 1,459,031 containers (31 December 2017: 1,435,345) with a capacity of 2,383,926 TEU for shipping cargo (31 December 2017: 2,348,602). The capacity-weighted share of containers owned by the Group stood at around 54% as at 31 March 2018 and was therefore unchanged compared to 31 December 2017.

Hapag-Lloyd's service network comprises 124 services (31 December 2017: 120 services).

Structure of Hapag-Lloyd's container ship fleet

	31.3.2018	31.12.2017	31.3.2017
Number of vessels	221	219	172
thereof			
Own vessels	98	102	74
Leased vessels	14	14	3
Chartered vessels	109	103	95
Aggregate capacity of vessels (TTEU)	1,589	1,573	1,008
Aggregate container capacity (TTEU)	2,384	2,349	1,583
Number of services	124	120	118

UASC Ltd. and its subsidiaries are included in Hapag-Lloyd AG's consolidated financial statements from the date control was transferred on 24 May 2017. The presented figures include the effects of the transaction from this date and can therefore only be compared to the prior-year's figures to a limited extent.

Bunker consumption totalled approximately 1.1 million tonnes in the first three months of 2018. In the prior year period, bunker consumption amounted to a total of around 803,000 tonnes before the integration of the UASC Group. Around 12% (Q1 2017, without the UASC Group: approximately 16%) of this comprised bunker with a low proportion of sulphur (MFO low sulphur, 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 slot capacity) of 2.8 tonnes (previous year: 3.3 tonnes). Per transported TEU the bunker consumption was 0.38 tonnes per TEU (Q1 2017, without the UASC Group: 0.42 tonnes per TEU).

With demand for container shipping services continuing to rise, container shipping will remain a growth industry in the long term. Following the completed takeover of UASC's container shipping activities, Hapag-Lloyd will not continue to invest heavily in new ship systems over the next few years. The joint fleet should make it possible to utilise the medium-term expansion opportunities resulting from market growth and to realise economies of scale in ship operations. The plan is to make further optimisations in this area in the future with regard to age and efficiency.

Customers

Long-term, close business relations with customers are also important in driving value for corporate development. A global key account team manages relationships with major customers. This enables the Company to establish and maintain sustainable customer relationships. In the first three months of the 2018 financial year, Hapag-Lloyd and UASC completed transport contracts for around 18,500 customers (Q1 2017 without UASC Group: approximately 14,700).

Employees

The figures as at 31 March 2018 relate to Hapag-Lloyd including UASC. The figures regarding the previous year relate to Hapag-Lloyd only. The Hapag-Lloyd Group employed 12,288 people as at 31 March 2018 (31 March 2017: 9,413). Of this total, 10,125 were shore-based employees (31 March 2017: 7,924), while 1,942 people were sea-based (31 March 2017: 1,271). Hapag-Lloyd employed 221 apprentices as at 31 March 2018 (31 March 2017: 218).

Number of employees

	31.3.2018	31.12.2017	31.3.2017
Marine personnel	1,942	2,007	1,271
Shore-based personnel	10,125	10,304	7,924
Apprentices	221	256	218
Total	**12,288**	**12,567**	**9,413**

UASC Ltd. and its subsidiaries are included in Hapag-Lloyd AG's consolidated financial statements from the date control was transferred on 24 May 2017. The presented figures include the effects of the transaction from this date and can therefore only be compared to the prior-year's figures to a limited extent.

ECONOMIC REPORT

General economic conditions

The experts at the International Monetary Fund (IMF) anticipate global economic growth of 3.9% in both 2018 and 2019 (IMF, World Economic Outlook, April 2018). The forecast economic growth is therefore the same as the forecast published in January 2018.

According to the IMF's April 2018 report, the volume of global trade, which is key to the demand for container shipping services, is forecasted to increase in 2018 by 5.1% compared to the previous year. With this the IMF has increased its current growth assumption by 0.5 percentage points above the January 2018 level. For 2019 a growth rate of 4.7% is estimated (January estimate: 4.4%).

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

in %	2019e	2018e	2017	2016	2015	2014	2013
Global economic growth	3.9	3.9	3.8	3.2	3.5	3.6	3.4
Industrialised countries	2.2	2.5	2.3	1.7	2.3	2.1	1.3
Developing and newly industrialised countries	5.1	4.9	4.8	4.4	4.3	4.7	5.1
World trading volume (goods and services)	4.7	5.1	4.9	2.3	2.7	3.8	3.5
Container transport volume (IHS)	5.3	5.3	5.0	3.1	1.2	4.0	2.2

Source: IMF, April 2018; IHS Global Insight, March 2018

Based on the current forecasts, the global cargo volume could rise to approximately 148 million TEU in 2018 (IHS Global Insight, March 2018). IHS Global Insight expects the global container shipping volume to increase by 5.3% in 2018, outpacing the forecast rate of growth for global trade. For the period 2019 to 2022, IHS Global Insight is predicting annual growth of between 4.8% and 5.3% in the global container shipping volume.

Sector-specific conditions

At the beginning of 2018, the aggregate capacity of the global container ship fleet was approximately 21 million TEU (Drewry Container Forecaster Q1 2018, April 2018). Based on the container ships on order and planned deliveries, the globally available transport capacity should see increases of around 0.9 million TEU in 2018 and around 0.5 million TEU in 2019 (Drewry Container Forecaster Q1 2018, April 2018). This includes the expected delays of deliveries in the current financial year. The tonnage of the commissioned container ships of approximately 2.7 million TEU (MDS Transmodal, April 2018) is equivalent to around 13% of the present global container fleet's capacity (approximately 21 million TEU). It therefore remains well below the highest level seen to date, which was around 56% in 2008.

In the period from January to March 2018, orders were placed for the construction of 30 container ships with a transport capacity totalling approximately 238,000 TEU (FY 2017: capacity of 700,000 TEU [Clarksons Research, January 2018]).

Development of global container fleet capacity

million TEU	2019e	2018e	2017	2016
Existing fleet (beginning of the year)	21.7	20.8	20.0	19.7
Planned deliveries	1.0	1.5	1.5	1.3
Expected scrappings	0.3	0.4	0.4	0.7
Postponed deliveries and other changes	0.1	0.2	0.3	0.4
Net capacity growth	**0.5**	**0.9**	**0.8**	**0.2**

Source: Drewry Maritime Research, Container Forecaster Q1 2018, April 2018. 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.

The forecast net capacity growth of 0.9 million TEU (Drewry Container Forecaster Q1 2018) coincides with growth in global container shipping volume of 7.5 million TEU in 2018 (IHS Global Insight, March 2018).

Based on figures from MDS Transmodal, a total of 45 container ships with a transport capacity of approximately 369,500 TEU were placed into service in the first three months of 2018 (Q1 2017: 37 ships with a transport capacity of approximately 299,000 TEU). In the future, the actual growth in the global container ship fleet's transport capacity is expected to be lower than the projected nominal increase, as old and inefficient ships are scrapped and deliveries of new-builds are postponed. According to Drewry (Container Forecaster Q1 2018), the scrapping of inefficient ships reached a record high of 654,000 TEU in 2016. Drewry figures show that scrapping totalled 400,000 TEU in 2017. According to Drewry, scrapping is also anticipated to remain roughly on a par with this level in 2018, at around 378,000 TEU.

Idle capacity fell to around 0.4 million TEU at the end of March 2018 (Alphaliner Weekly, April 2018), accounting for approximately 2% of the global fleet. This reduction mainly stemmed from the continuing strong demand for chartered ships. The majority of idle ships have a capacity of up to 5,100 TEU.

Consolidation of the industry and alliances

The following three alliances have existed since the start of the second quarter of 2017: the "2M Alliance" consists of the two market leaders – Maersk Line (Denmark) and Mediterranean Shipping Company S.A. (Switzerland) (MSC) – which started operating back in early 2015. The "Ocean Alliance" consists of CMA CGM S.A. (France), including the shipping company American President Lines Ltd. (Singapore) (APL), which was taken over by CMA CGM, Orient Overseas Container Line (Hong Kong) (OOCL), Evergreen Marine Corp. Ltd. (Taiwan) (Evergreen) and China COSCO Shipping (China) (COSCO). Since then, Hapag-Lloyd has been operating the THE Alliance together with Kawasaki Kisen Kaisha Ltd. (Japan) ("K" Line), Mitsui O.S.K. Lines Ltd. (Japan) (MOL), Nippon Yusen Kabushiki Kaisha Ltd. (Japan) (NYK) and Yang Ming Marine Transport Corp. Ltd. (Taiwan) (Yang Ming). The Japanese alliance partners merged their container shipping activities on 1 April 2018 and have been operating as Ocean Network Express (ONE) since then.

As at 31 March 2018, the THE Alliance covers all East–West trades with around 239 container ships.

Capacity share of alliances based on selected trades

Alliance	Far East trade	Transpacific trade	Atlantic trade
2M	39%	21%	45%
Ocean Alliance	35%	39%	16%
THE Alliance	**25%**	**28%**	**36%**
Other	2%	13%	4%

Source: Alphaliner, April 2018.

On 1 December 2016, Maersk Line (Maersk) announced the takeover of Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft ApS & Co KG (Hamburg Süd). The legal merger between the two companies took place on 30 November 2017. Prior to that, Maersk and Hamburg Süd had entered into a slot chartering agreement on East–West trades in February 2017.

In March 2017, Mediterranean Shipping Company S.A. (MSC), Maersk and Hyundai Merchant Marine Co., Ltd (HMM) agreed to cooperate in the East–West trades. This collaboration includes slot-chartering agreements for the respective trades.

On 7 July 2017, the three Japanese shipping companies Kawasaki Kisen Kaisha Ltd. ("K" Line), Mitsui O.S.K. Lines Ltd. (MOL) and Nippon Yusen Kabushiki Kaisha Ltd. (NYK) established a new holding company for the planned joint venture Ocean Network Express (ONE). The joint venture commenced operating on 1 April 2018, integrating the container shipping business (including the terminal business outside Japan) of the three companies.

On 9 July 2017, the Chinese shipping company COSCO announced a takeover bid for Orient Overseas (International) Limited (OOIL), Hong Kong. The majority shareholder of OOIL has approved the sale of the shares. However, the approvals of the regulatory bodies have not yet been fully granted. With a total transport capacity of 2.4 million TEU, this would strengthen COSCO's market position as the fourth-largest container shipping company in the world.

On 8 August 2017, 14 Korean liner shipping companies signed a memorandum of understanding, thereby founding the "Korean Shipping Partnership" (KSP). The initiative will be supported by the Korean government and the Korea Shipowners Association and led by HMM.

According to data from MDS Transmodal (January 2018), the ten largest container liner shipping companies provide approximately 84% of the total capacity of the global fleet of container ships.

GROUP EARNINGS, FINANCIAL AND NET ASSET POSITION

The earnings, financial and net assets position is only comparable with the corresponding prior year period to a limited degree, as the UASC Group was included in the Hapag-Lloyd AG Group for the first time from 24 May 2017. Unless stated otherwise, the figures for the first quarter of 2017 refer to Hapag-Lloyd without the UASC Group.

Group earnings position

Hapag-Lloyd's performance in the first three months of the 2018 financial year was once again dominated by the challenges in the container shipping industry.

The development of freight rates, which was lower than expectations due to unwavering intense competition, and a comparatively weak US dollar against the euro had a negative impact on its earnings position. At USD 1.23 / EUR, the average dollar / euro exchange rate was significantly weaker than in the prior year period (USD 1.07 / EUR). In particular, the substantial increase in the average bunker price compared with the prior year period had a negative impact on earnings. The higher transport volume and an optimised cost structure for transport-related expenses were able to partly offset these effects. Hapag-Lloyd generated an operating result before interest and taxes (EBIT) of EUR 53.7 million in the first quarter of 2018 (prior year period: EUR 7.5 million) and a profit after taxes of EUR –34.3 million (prior year period: EUR –58.1 million).

Consolidated income statement

million EUR	Q1 2018	Q1 2017[1]
Revenue	2,616.7	2,132.1
Other operating income	35.8	26.3
Transport expenses	2,153.6	1,785.1
Personnel expenses	167.5	147.4
Depreciation, amortisation and impairment	165.7	127.8
Other operating expenses	120.0	98.2
Operating result	**45.7**	**–0.1**
Share of profit of equity-accounted investees	8.0	7.6
Earnings before interest and tax (EBIT)	**53.7**	**7.5**
Interest result	–82.3	–61.8
Income taxes	5.7	3.8
Group profit/loss	**–34.3**	**–58.1**
thereof profit/loss attributable to shareholders of Hapag-Lloyd AG	–37.6	–58.8
thereof profit/loss attributable to non-controlling interests	3.3	0.7
Basic earnings per share (in EUR)	–0.21	–0.50
EBITDA	**219.4**	**135.3**
EBITDA margin (%)	**8.4**	**6.3**
EBIT	**53.7**	**7.5**
EBIT margin (%)	**2.1**	**0.4**

[1] The figures for the first quarter of 2017 relate to Hapag-Lloyd only and do not include the UASC Group. 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 quarter of 2017 by EUR 4.0 million.

Including the UASC Group, the average freight rate in the first quarter of 2018 was USD 1,029/TEU and was therefore USD 27/TEU down on the prior year period (USD 1,056/TEU without the UASC Group). Besides the inclusion of the UASC Group, which had a lower freight rate level overall, the main reason for the decline was the ongoing difficult 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 961/TEU. This would have meant an increase of USD 68/TEU, or 7.1%, in the average freight rate.

Freight rates per trade[1]

USD/TEU	Q1 2018	Q1 2017
Atlantic	1,293	1,293
Transpacific	1,250	1,218
Far East	897	897
Middle East	783	791
Intra Asia	522	539
Latin America	1,130	1,051
EMAO (Europe – Mediterranean – Africa – Oceania)	1,081	1,010
Total (weighted average)	**1,029**	**1,056**

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

With the inclusion of the UASC Group and its balanced positioning in all trades, Hapag-Lloyd was able to increase its transport volume by 927 TTEU to 2,861 TTEU (prior year period: 1,934 TTEU without the UASC Group), representing a rise of around 48%. On a comparable basis (if the UASC Group had been included from Q1 2017), the transport volume (prior year period: 2,792 TTEU) in the first three months of 2018 would have increased by 69 TTEU, representing a rise of 2.5%.

Transport volume per trade

TTEU	Q1 2018	Q1 2017
Atlantic	439	389
Transpacific	455	386
Far East	519	215
Middle East	375	123
Intra Asia	257	152
Latin America	663	552
EMAO (Europe – Mediterranean – Africa – Oceania)	153	117
Total	**2,861**	**1,934**

The Hapag-Lloyd Group's revenue rose by EUR 484.6 million to EUR 2,616.7 million in the first quarter of 2018 (prior year period: EUR 2,132.1 million without the UASC Group), representing an increase of 22.7%. This was primarily due to the growth in transport volumes as a result of incorporating the UASC Group. By contrast, the significantly weaker US dollar had a negative impact on revenues. Adjusted for exchange rate fluctuations, the revenue generated would have increased by EUR 769.6 million (36.1%).

Revenue per trade [1]

million EUR	Q1 2018	Q1 2017
Atlantic	461.6	472.6
Transpacific	462.8	441.7
Far East	378.7	180.9
Middle East	238.8	91.6
Intra Asia	109.2	77.1
Latin America	609.2	544.1
EMAO (Europe – Mediterranean – Africa – Oceania)	134.4	110.6
Revenue not assigned to trades	222.0	213.5
Total	**2,616.7**	**2,132.1**

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

Transport expenses rose by EUR 368.5 million in the first three months of 2018 to EUR 2,153.6 million (prior year period: EUR 1,785.1 million). This represents an increase of 20.6% 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, supplies and purchased goods of EUR 89.9 million (34.8%) to EUR 348.4 million primarily results from the significantly higher bunker price in the current reporting period. In the first three months of the 2018 financial year, the average bunker consumption price for Hapag-Lloyd was USD 372 per tonne, up USD 59 per tonne on the figure of USD 313 per tonne for the prior year period.

The cost of purchased services rose by EUR 278.6 million (18.2%) which was a disproportionally 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. Transport expenses were released thanks to initial 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.

Transport expenses [1]

million EUR	Q1 2018	Q1 2017
Expenses for raw materials and supplies	348.4	258.5
Cost of purchased services	1,805.2	1,526.6
thereof:		
Port, canal and terminal costs	961.1	718.4
Chartering, leases and container rentals	219.8	242.5
Container transport costs	561.4	506.3
Maintenance / repair / other	62.9	59.4
Transport expenses	**2,153.6**	**1,785.1**

[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 EUR 4.0 million.

The gross profit margin (ratio of revenue less transport expenses to revenue) for the first three months of the current financial year came to 17.7% (prior year period: 16.3%).

Personnel expenses rose by EUR 20.1 million to EUR 167.5 million in the first three months of 2018 (prior year period: EUR 147.4 million). The main reason for this increase was the higher number of employees as a result of incorporating the UASC Group on 24 May 2017. In addition, the exchange rate losses at the balance sheet date resulting from the valuation of pension provisions in the amount of EUR 3.3 million (prior year period: EUR 1.4 million) and additional pension expenses of EUR 9.3 million (prior year period: EUR 7.0 million) increased personnel expenses year-on-year.

Depreciation and amortisation came to EUR 165.7 million in the first three months of the 2018 financial year (prior year period: EUR 127.8 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 earnings before interest and taxes (EBIT) amounted to EUR 53.7 million in the reporting period. They were therefore above the corresponding figure in the prior year period (EUR 7.5 million). The earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at EUR 219.4 million in the first three months of the 2018 financial year (prior year period: EUR 135.3 million). The annualised return on invested capital (ROIC) for the first three months of 2018 amounted to 1.7% (prior year period: 0.2%). Basic earnings per share for the first three months of the 2018 financial year came to EUR –0.21 per share (prior year period: EUR –0.50 per share).

Key earning figures

million EUR	Q1 2018	Q1 2017 [1]
Revenue	2,616.7	2,132.1
EBIT	53.7	7.5
EBITDA	219.4	135.3
EBIT margin (%)	2.1	0.4
EBITDA margin (%)	8.4	6.3
Basic earnings per share (in EUR)	–0.21	–0.50
Return on invested capital (ROIC) annualised (%) [2]	1.7	0.2

1 The key earnings figures have been adjusted for the first quarter of 2017 due to the retrospective application of the rules for designation of option contracts.

2 The calculation of the return on invested capital is based on the functional currency USD.

The interest result for the first three months of the 2018 financial year was EUR –82.3 million (prior year period: EUR –61.8 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 EUR 33.1 million. Losses of EUR 1.9 million (prior year period: gain of EUR 12.3 million) from a change in the fair value of the derivatives embedded in the bonds issued had a negative effect on the interest result. Adjustments to the carrying amounts of financial debt reduced the interest burden by EUR 2.2 million.

The Group recorded a loss of EUR –34.3 million in the first three months of 2018 (prior year period: loss of EUR –58.1 million).

Group financial position

Consolidated statement of cash flows

million EUR	Q1 2018	Q1 2017
Cash flow from operating activities	253.8	148.1
Cash flow from investment activities	–58.8	–112.5
Free cash flow	**195.0**	**35.6**
Cash flow from financing activities	–185.8	–79.7
Changes in cash and cash equivalents	**9.2**	**–44.1**

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of EUR 253.8 million in the first three months of the 2018 financial year (prior year period: EUR 148.1 million).

Cash flow from investing activities

The cash outflows from investing activities totalled EUR 58.8 million (prior year period: EUR 112.5 million) and related to payments for investments in the amount of EUR 78,3 million in particular for containers and ship equipment. This contrasted with cash inflows of EUR 19.5 million, which were primarily due to the sale in the first quarter 2018 of the ocean-going vessels held for sale as at 31 December 2017 (EUR 14.6 million).

Cash flow from financing activities

Overall, there was a cash outflow from financing activities in the current reporting period in the amount of EUR 185.8 million (prior year period: EUR 79.7 million) which mainly comprised interest and redemption payments of EUR 367.6 million (prior year period: EUR 688.3 million). By contrast, there were cash inflows totalling EUR 153.7 million (prior year period: EUR 633.4 million) from the increase in the ABS programme in the amount of EUR 112.6 million and the utilisation of credit facilities for container financing in the amount of EUR 40.7 million. There were also cash inflows from the realisation of derivative financial instruments used to hedge financial debt in the amount of EUR 38.5 million.

Changes in cash and cash equivalents

million EUR	Q1 2018	Q1 2017
Cash and cash equivalents at beginning of period	**604.9**	**570.2**
Changes due to exchange rate fluctuations	–16.4	–6.3
Net changes	9.2	–44.1
Cash and cash equivalents at end of period	**597.7**	**519.8**

Overall, cash inflow totalled EUR 9.2 million in the first three months of 2018, such that after accounting for exchange rate-related effects in the amount of EUR –16.4 million, cash and cash equivalents of EUR 597.7 million were reported at the end of the reporting period on 31 March 2018 (31 March 2017: EUR 519.8 million). The cash and cash equivalents dealt with in the statement of cash flows correspond to the balance sheet item “Cash and cash equivalents”. In addition, there are available credit facilities of EUR 401.7 million (31 March 2017: EUR 327.7 million). The liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) therefore totalled EUR 999.4 million (31 March 2017: EUR 847.5 million). Cash and cash equivalents of EUR 47.6 million (31 March 2017: EUR 42.4 million) which serve as collateral for existing financial debt were reported under other assets due to their maturity.

Net debt

The Group’s net debt amounted to EUR 5,404.1 million as at 31 March 2018 (31 December 2017: EUR 5,681.7 million). The equity ratio of 41.0% was almost unchanged compared with 31 December 2017. Gearing – the ratio of net debt to balance sheet equity – decreased from 93.8% to 92.1% as a result.

Financial Solidity

million EUR	31.3.2018	31.12.2017
Financial debt	6,049.4	6,335.5
Cash and cash equivalents	597.7	604.9
Restricted cash (other assets)	47.6	48.9
Net debt	**5,404.1**	**5,681.7**
Gearing (%)[1]	**92.1**	**93.8**
Unused credit lines	**401.7**	**454.6**
Equity ratio (%)	**41.0**	**40.9**

[1] Ratio net debt to equity

Restricted cash and cash equivalents in the amount of EUR 47.6 million (31 December 2017: EUR 48.9 million) essentially comprise cash and cash equivalents which serve as collateral for existing financial debt.

Group net asset position

Changes in the net asset structure

million EUR	31.3.2018	31.12.2017
Assets		
Non-current assets	12,195.5	12,633.5
of which fixed assets	12,121.0	12,570.7
Current assets	2,135.9	2,194.3
of which cash and cash equivalents	597.7	604.9
Total assets	**14,331.4**	**14,827.8**
Equity and liabilities		
Equity	5,869.5	6,058.3
Borrowed capital	8,461.9	8,769.5
of which non-current liabilities	5,712.9	6,003.8
of which current liabilities	2,749.0	2,765.7
of which financial debt	6,049.4	6,335.5
of which non-current financial debt	5,362.5	5,630.7
of which current financial debt	686.9	704.8
Total equity and liabilities	**14,331.4**	**14,827.8**
Net debt	5,404.1	5,681.7
Equity ratio (%)	41.0	40.9

As at 31 March 2018, the Group's balance sheet total was EUR 14,331.4 million – EUR 496.4 million lower than the figure at year-end 2017. The reasons for this change included exchange rate effects as at the reporting date due to the slightly weaker US dollar. The US dollar/euro exchange rate was quoted at 1.23 on 31 March 2018 (31 December 2017: 1.20).

Within non-current assets, the carrying amounts for fixed assets decreased by a total of EUR 449.7 million to EUR 12,121.0 million. This decline was largely due to depreciation of EUR 165.7 million and exchange rate effects of EUR 329.2 million on the reporting date. This was offset by investments totalling EUR 40.3 million relating primarily to containers and ship equipment.

Current assets declined by EUR 58.4 million compared to the level as at 31 December 2017, primarily as a result of a decrease in trade accounts receivable and in the market values of derivative financial instruments.

Cash and cash equivalents decreased only slightly compared to the end of 2017, by EUR 7.2 million to EUR 597.7 million.

On the liabilities side, equity (including non-controlling interests) contracted by EUR 188.8 million to a total of EUR 5,869.5 million. This decrease is mainly due to the unrealised gains and losses from foreign currency translation recognised in other comprehensive income amounting to EUR 158.5 million and also the Group loss of EUR 34.3 million. The equity ratio as at 31 March 2018 came to around 41.0% (31 December 2017: 40.9%).

The Group's borrowed capital has fallen by EUR 307.6 million to EUR 8,461.9 million since the end of 2017. Both current and non-current financial debt contributed to this decline as a result of capital repayments in the amount of EUR 284.9 million and exchange rate effects in the amount of EUR –142.7 million.

Taking cash and cash equivalents and financial debt into account, net debt as at 31 March 2018 was EUR 5,404.1 million (31 December 2017: EUR 5,681.7 million).

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

EXECUTIVE BOARD'S STATEMENT ON OVERALL EXPECTED DEVELOPMENTS

The development of earnings in the first three months of the 2018 financial year was below the Executive Board's expectations, primarily as a result of the significant increase in bunker prices and a changed cost structure due to the new service network. Moderate growth in volumes led to a corresponding rise in revenue and costs. As competition remains intense in the container shipping industry, the development of freight rates was slightly less than expected. The realisation of synergies from the merger with UASC was able to partly offset the increased transport costs. The frameworks for economic development are not subject to any material changes, however.

RISK AND OPPORTUNITY REPORT

Regarding the major opportunities and risks, their assessment and the probability of occurrence please refer to the 2017 annual report. The existing global macroeconomic uncertainties and ongoing high competitive pressure could have a significant negative impact on the development of transport volumes and freight in 2018.

At the time of reporting on the first quarter 2018, there were no risks which threatened the continued existence of the Hapag-Lloyd Group.

NOTE ON SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

The notes on relationships and transactions with related parties can be found in the disclosures on page 54 of the Notes to the condensed interim consolidated financial statements.

OUTLOOK

The general economic and sector-specific conditions which are of importance to container shipping are presented and analysed in the 2017 annual report (Economic report). A summary of the most important external factors is given below.

In its latest economic outlook (April 2018), the International Monetary Fund (IMF) expects global economic growth to reach 3.9% in the current year. 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 5.1% in 2018 (2017: +4.9%). This means that in 2018 the growth in global trade will once again outpace that of the global economy. IHS Global Insight (November 2017) is forecasting that the global container shipping volume will increase by 5.3% to approximately 148 million TEU in 2018 (2017: 5.0%). 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 a nominal increase in transport capacities of up to approximately 0.9 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 2018.

Hapag-Lloyd is expecting a clear increase in its transport volume in 2018 – due in part to 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 weighting for 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 the general recovery of freight rates continues, Hapag-Lloyd's average freight rate in 2018 is likely to be around the same as in the previous year. Hapag-Lloyd is also expecting a clear rise in the average bunker consumption price in 2018.

Provided that the expected freight rate is achieved and a significant portion of the synergies from the merger with UASC are realised, along with the expected improvement in the quality of earnings and the anticipated growth in volumes, Hapag-Lloyd is forecasting a clear year-on-year increase in its EBITDA and EBIT in 2018. This assumption also takes account of the additional one-off expenses of around USD 10 million which are expected as a result of the merger and integration. 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 other factors.

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

Key benchmark figures for the 2018 outlook

Global economic growth (IMF)	3.9%
Increase in global trade (IMF)	5.1%
Increase in global container transport volume (IHS)	5.3%
Transport volume, Hapag-Lloyd Group	Increasing clearly
Average bunker consumption prices, Hapag-Lloyd Group	Increasing clearly
Average freight rate, Hapag-Lloyd Group	On previous years level
EBITDA (earnings before interest, taxes, depreciation and amortisation), Hapag-Lloyd Group	Increasing clearly
EBIT (earnings before interest and taxes), Hapag-Lloyd Group	Increasing clearly

The benchmark figures for the 2018 outlook, which relate to transport volume, the average bunker consumption price, the average freight rate and the key performance indicators of EBITDA and EBIT, therefore remain unchanged compared with 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, particularly in the third quarter, when the peak season occurs. This is because the volume of global trade fluctuates throughout the year and is usually much higher in the second half of the year than in the first.

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 an 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 significant and lasting rise in bunker prices extending beyond the level seen at the end of 2017, a further sharp and persistent 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.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT OF HAPAG-LLOYD AG

for the period 1 January to 31 March 2018

million EUR	Q1 2018	Q1 2017 [1]
Revenue	2,616.7	2,132.1
Other operating income	35.8	26.3
Transport expenses	2,153.6	1,785.1
Personnel expenses	167.5	147.4
Depreciation, amortisation and impairment	165.7	127.8
Other operating expenses	120.0	98.2
Operating result	**45.7**	**–0.1**
Share of profit of equity-accounted investees	8.0	7.6
Earnings before interest and taxes (EBIT)	**53.7**	**7.5**
Interest income	6.4	1.6
Interest expenses	88.7	63.4
Earnings before income taxes	**–28.6**	**–54.3**
Income taxes	5.7	3.8
Group profit/loss	**–34.3**	**–58.1**
thereof attributable to shareholders of Hapag-Lloyd AG	–37.6	–58.8
thereof attributable to non-controlling interests	3.3	0.7
Basic/Diluted earnings per share (in EUR)	**–0.21**	**–0.50**

[1] The figures for the first quarter of 2017 relate to Hapag-Lloyd only and do not include the UASC Group. Due to the retrospective application of the provisions for designating options, the previous year's values have been adjusted. Please refer to the explanations in Section "New accounting standards".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF HAPAG-LLOYD AG

for the period 1 January to 31 March 2018

million EUR	Q1 2018	Q1 2017 [1]
Group profit / loss	**–34.3**	**–58.1**
Items which will not be reclassified to profit and loss:		
Remeasurements from defined benefit plans after tax	4.0	4.6
Remeasurements from defined benefit plans before tax	4.5	4.6
Tax effect	–0.5	0.0
Cash flow hedges (no tax effect)	–1.5	–
Effective share of the changes in fair value	–1.3	–
Currency translation differences	–0.2	–
Cost of Hedging (no tax effect)	–3.7	–
Effective share of the changes in fair value	–3.7	–
Currency translation differences	0.0	–
Currency translation differences (no tax effect)	–158.5	–53.9
Items which may be reclassified to profit and loss:		
Cash flow hedges (no tax effect)	2.9	–5.6
Effective share of the changes in fair value	29.6	–0.8
Reclassification to profit or loss	–26.6	–4.8
Currency translation differences	–0.1	0.0
Cost of Hedging (no tax effect)	1.3	–4.0
Effective share of the changes in fair value	–4.7	–6.3
Reclassification to profit or loss	6.0	2.3
Currency translation differences	0.0	–
Other comprehensive income after tax	**–155.5**	**–58.9**
Total comprehensive income	**–189.8**	**–117.0**
thereof attributable to shareholders of Hapag-Lloyd AG	–192.8	–117.7
thereof attributable to non-controlling interests	3.0	0.7

[1] The structure of the consolidated statement of comprehensive income changed due to the retrospective adjustment relating to the first time adoption of IFRS 9. Please refer to the explanations in Section “New accounting standards”. Currency translation differences are recognised in the statement of comprehensive income under the items which are not reclassified and recognised through profit or loss, because the currency translation effects of subsidiaries with the same functional currency as the parent company cannot be reclassified through profit or loss. The prior year figures were adjusted accordingly.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG

as at 31 March 2018

Assets

million EUR	31.3.2018	31.12.2017
Goodwill	1,446.5	1,486.8
Other intangible assets	1,715.0	1,785.5
Property, plant and equipment	8,619.8	8,966.5
Investments in equity-accounted investees	339.7	331.9
Other assets	32.2	25.7
Derivative financial instruments	7.7	8.6
Income tax receivables	8.7	3.8
Deferred tax assets	25.9	24.7
Non-current assets	**12,195.5**	**12,633.5**
Inventories	204.4	186.4
Trade accounts receivable	646.3	887.8
Contract assets	220.3	–
Other assets	421.8	436.7
Derivative financial instruments	26.8	42.6
Income tax receivables	18.6	19.6
Cash and cash equivalents	597.7	604.9
Assets classified held for sale	–	16.3
Current assets	**2,135.9**	**2,194.3**
Total assets	**14,331.4**	**14,827.8**

Equity and liabilities

million EUR	31.3.2018	31.12.2017 [1]
Subscribed capital	175.8	175.8
Capital reserves	2,637.4	2,637.4
Retained earnings	3,145.9	3,174.9
Cumulative other equity	–98.5	57.7
Equity attributable to shareholders of Hapag-Lloyd AG	**5,860.6**	**6,045.8**
Non-controlling interests	8.9	12.5
Equity	**5,869.5**	**6,058.3**
Provisions for pensions and similar obligations	259.8	270.2
Other provisions	76.2	80.0
Financial debt	5,362.5	5,630.7
Other liabilities	7.5	9.5
Derivative financial instruments	2.6	9.4
Deferred tax liabilities	4.3	4.0
Non-current liabilities	**5,712.9**	**6,003.8**
Provisions for pensions and similar obligations	18.2	20.7
Other provisions	258.2	244.2
Income tax liabilities	39.1	34.4
Financial debt	686.9	704.8
Trade accounts payable	1,530.4	1,559.8
Contract liabilities	109.5	–
Other liabilities	101.6	201.8
Derivative financial instruments	5.1	–
Current liabilities	**2,749.0**	**2,765.7**
Total equity and liabilities	**14,331.4**	**14,827.8**

[1] Due to the retrospective application of the provision for designating options, the previous year´s values have been adjusted. Please refer to the explanations in Section "New accounting standards".

CONSOLIDATED STATEMENT OF CASH FLOWS OF HAPAG-LLOYD AG

for the period 1 January to 31 March 2018

million EUR	Q1 2018	Q1 2017 [1]
Group profit / loss	–34.3	–58.1
Income tax expenses (+) / income (–)	5.7	3.8
Interest result	82.3	61.8
Depreciation, amortisation and impairment (+) / write-backs (–)	165.7	127.8
Other non-cash expenses (+) / income (–)	44.0	6.6
Profit (–) / loss (+) from hedges for financial debt	–45.4	–
Profit (–) / loss (+) from disposals of non-current assets and assets held for sale	–1.0	–0.6
Income (–) / expenses (+) from equity accounted investees and dividends from other investments	–8.0	–7.7
Increase (–) / decrease (+) in inventories	–23.1	–18.6
Increase (–) / decrease (+) in receivables and other assets	–34.0	–11.1
Increase (+) / decrease (–) in provisions	23.3	13.0
Increase (+) / decrease (–) in liabilities (excl. financial debt)	82.4	32.8
Payments received from (+) / made for (–) income taxes	–5.2	–2.3
Payments received for interest	1.4	0.7
Cash inflow (+) / outflow (–) from operating activities	**253.8**	**148.1**
Payments received from disposals of property, plant and equipment and intangible assets	4.7	1.6
Payments received from dividends	0.2	0.1
Payments received from the disposal of assets held for sale	14.6	–
Payments made for investments in property, plant and equipment and intangible assets	–78.3	–114.2
Cash inflow (+) / outflow (–) from investing activities	**–58.8**	**–112.5**

[1] Due to the retrospective application of the provision for designating options, the previous year´s values have been adjusted. Please refer to the explanations in Section “New accounting standards”.

million EUR	Q1 2018	Q1 2017 [1]
Payments made for capital increases	–1.9	–
Payments made for dividends	–8.4	–0.8
Payments received from raising financial debt	153.7	633.4
Payments made for the redemption of financial debt	–284.9	–626.6
Payments made for interest and fees	–82.7	–61.7
Payments received (+) and made (–) from hedges for financial debt	38.5	–
Change in restricted cash	–0.1	–24.0
Cash inflow (+)/outflow (–) from financing activities	**–185.8**	**–79.7**
Net change in cash and cash equivalents	**9.2**	**–44.1**
Cash and cash equivalents at beginning of period	**604.9**	**570.2**
Change in cash and cash equivalents due to exchange rate fluctuations	–16.4	–6.3
Net change in cash and cash equivalents	9.2	–44.1
Cash and cash equivalents at end of period	**597.7**	**519.8**

[1] Due to the retrospective application of the provision for designating options, the previous year´s values have been adjusted. Please refer to the explanations in Section “New accounting standards”.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HAPAG-LLOYD AG

for the period 1 January to 31 March 2018

	Equity attributable to shareholders			
million EUR	Subscribed capital	Capital reserves	Retained earnings	Remeasure-ments from defined benefit plans
As at 1.1.2017	**118.1**	**1,061.8**	**3,152.9**	**–118.9**
Effect from the initial application of IFRS 9	–	–	0.5	–
Restated as at 1.1.2017	**118.1**	**1,061.8**	**3,153.4**	**–118.9**
Total comprehensive income (adjusted)	**–**	**–**	**–58.8**	**4.6**
thereof				
Group profit / loss	–	–	–58.8	–
Other comprehensive income	–	–	–	4.6
Transactions with shareholders	**–**	**–**	**–**	**–**
thereof				
Distribution to non-controlling interests	–	–	–	–
Deconsolidation	**–**	**–**	**–0.5**	**–**
As at 31.3.2017 [1]	**118.1**	**1,061.8**	**3,094.1**	**–114.3**
As at 1.1.2018 [2]	**175.8**	**2,637.4**	**3,174.9**	**–118.8**
Effect from the initial application of IFRS 9	–	–	10.3	–
Adjusted as at 1.1.2018	**175.8**	**2,637.4**	**3,185.2**	**–118.8**
Total comprehensive income	**–**	**–**	**–37.6**	**4.0**
thereof				
Group profit / loss	–	–	–37.6	–
Other comprehensive income	–	–	–	4.0
Hedging gains and losses transferred to the cost of inventory	**–**	**–**	**–**	**–**
Transactions with shareholders	**–**	**–**	**–1.6**	**–**
thereof				
Anticipated acquisition of shares from non-controlling interests	–	–	–	–
Capital increase for non-controlling interests	–	–	–	–
Distribution to non-controlling interests	–	–	–1.6	–
Deconsolidation	**–**	**–**	**–0.1**	**–**
As at 31.3.2018	**175.8**	**2,637.4**	**3,145.9**	**–114.8**

[1] The retrospective improvement in the result in the first quarter of 2017 increased retained earnings as at 31 March 2017 by EUR 4.5 million. This was offset by the recognition of a reserve for hedging costs in the amount of EUR –0.5 million as at 1 January 2017 and with a total amount of EUR –4.5 million as at 31 March 2017.

[2] Due to the retrospective application of the provisions for designating options, retained earnings generated as at 1 January 2018 had increased by EUR 1.0 million and the reserve for hedging costs amounted to EUR –1.0 million.

of Hapag-Lloyd AG							
Reserve for cash flow hedges	Reserve for Cost of Hedging	Translation reserve	Reserve for put-options on non-controlling interests	Cumulative other equity	**Total**	Non-controlling interests	**Total equity**
5.4	**–**	**835.3**	**–**	**721.8**	**5,054.6**	**3.8**	**5,058.4**
–	–0.5	–	–	–0.5	–	–	–
5.4	**–0.5**	**835.3**	**–**	**721.3**	**5,054.6**	**3.8**	**5,058.4**
–5.6	**–4.0**	**–53.9**	**–**	**–58.9**	**–117.7**	**0.7**	**–117.0**
–	–	–	–	–	–58.8	0.7	–58.1
–5.6	–4.0	–53.9	–	–58.9	–58.9	–	–58.9
–	**–**	**–**	**–**	**–**	**–**	**–0.8**	**–0.8**
–	–	–	–	–	–	–0.8	–0.8
–	**–**	**–**	**–**	**–**	**–0.5**	**–**	**–0.5**
–0.2	**–4.5**	**781.4**	**–**	**662.4**	**4,936.4**	**3.7**	**4,940.1**
11.0	**–1.0**	**167.5**	**–1.0**	**57.7**	**6,045.8**	**12.5**	**6,058.3**
–	–	–	–	–	10.3	–	10.3
11.0	**–1.0**	**167.5**	**–1.0**	**57.7**	**6,056.1**	**12.5**	**6,068.6**
1.4	**–2.4**	**–158.2**	**–**	**–155.2**	**–192.8**	**3.0**	**–189.8**
–	–	–	–	–	–37.6	3.3	–34.3
1.4	–2.4	–158.2	–	–155.2	–155.2	–0.3	–155.5
–4.4	**2.7**	**–**	**–**	**–1.7**	**–1.7**	**–**	**–1.7**
–	**–**	**–**	**0.6**	**0.6**	**–1.0**	**–6.6**	**–7.6**
–	–	–	0.6	0.6	0.6	–	0.6
–	–	–	–	–	–	0.2	0.2
–	–	–	–	–	–1.6	–6.8	–8.4
–	**–**	**0.1**		**0.1**	**–**	**–**	**–**
8.0	**–0.7**	**9.4**	**–0.4**	**–98.5**	**5,860.6**	**8.9**	**5,869.5**

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FUNDAMENTAL ACCOUNTING PRINCIPLES

General information

Hapag-Lloyd is an international group whose primary purpose is to provide ocean container liner shipping activities, logistical services and all other associated business operations and services.

Hapag-Lloyd Aktiengesellschaft (Hapag-Lloyd AG), domiciled in Hamburg, Ballindamm 25, Germany, is the parent company of the Hapag-Lloyd Group and a listed company in accordance with German law. The company is registered in commercial register B of the district court in Hamburg under the number HRB 97937. The Company's shares are traded on the Frankfurt and Hamburg Stock Exchanges.

The interim consolidated financial statements cover the period 1 January to 31 March 2018 and are reported and published in euros (EUR). All amounts recognised for the financial year are reported in million euros (EUR million) unless otherwise stated.

On 9 May 2018, the Executive Board approved the condensed interim consolidated financial statements for publication.

Accounting principles

The consolidated financial statements of Hapag-Lloyd AG and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), including the interpretations of the IFRS Interpretations Committee (IFRIC), as they are to be applied in the European Union (EU). This interim report as at 31 March 2018 was prepared in compliance with the provisions of IAS 34. It is presented in condensed form. The condensed interim consolidated financial statements and the interim Group management report of Hapag-Lloyd AG have not been subject to an audit review nor have they been reviewed in accordance with Section 317 of the German Commercial Code (HGB).

The standards and interpretations valid in the EU since 1 January 2018 were applied during the preparation of the interim consolidated financial statements. As regards the possible effects of standards and interpretations that have already been adopted, but that are not yet mandatory, we refer to the explanations in the Notes to the consolidated financial statements as at 31 December 2017, which remain valid and have not changed. The activities relating to the project of implementing IFRS 16 were continued in the first quarter of 2018. In this regard, there have thus far not been any significant new findings. The interim consolidated financial statements as at 31 March 2018 are to be read in conjunction with the audited and published IFRS consolidated financial statements as at 31 December 2017. Except from the changes described in section “new accounting standards” the interim consolidated financial statements were prepared in compliance with the same accounting and measurement principles that formed the basis for the consolidated financial statements as at 31 December 2017. Estimates and discretionary decisions were made in the same manner as in the previous year. The actual values may differ from the estimated values.

The functional currency of Hapag-Lloyd AG and all of its main subsidiaries is the US dollar. The reporting currency of Hapag-Lloyd AG is, however, the euro. For reporting purposes, the assets and liabilities of the Hapag-Lloyd Group are translated into euros using the mean exchange rate on the balance sheet date (closing rate). The cash flows listed in the consolidated statement of cash flows and the expenses, income and result shown in the consolidated income statement are translated at the average exchange rate for the reporting period. The resulting differences are recognised in other comprehensive income.

As at 31 March 2018, the closing US dollar / euro exchange rate was quoted as USD 1.2323 / EUR (31 December 2017: USD 1.1989 / EUR). For the first quarter of 2018, the average US dollar / euro exchange rate was USD 1.2295 / EUR (prior year period: USD 1.0651 / EUR).

The earnings, financial and net assets position is only comparable with the corresponding prior year period to a limited degree, as the UASC Group was included in the Hapag-Lloyd AG Group for the first time from 24 May 2017. Unless stated otherwise, the figures for the first quarter of 2017 refer to Hapag-Lloyd without the UASC Group.

New accounting standards

The following describes the significant changes for the Hapag-Lloyd Group resulting from the first-time adoption of the Standards IFRS 9 and IFRS 15 in the financial year 2018.

The remaining standards which are to be adopted for the first time in financial year 2018 have no significant impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board published the final version of IFRS 9 Financial Instruments, which replaces the existing provisions of IAS 39 on the recognition and measurement of financial instruments.

Hapag-Lloyd applied IFRS 9 for the first time as at 1 January 2018. As a result of the first-time application of IFRS 9, retained earnings in the opening statement of financial position as at 1 January 2018 increased by a total of EUR 11.3 million (EUR 10.3 million of which was due to non-retrospective application of IFRS 9); a retroactive increase in the retained earnings of EUR 0.5 million was also necessary in the previous year’s opening statement of financial position.

Detailed explanations regarding the impact of the standard and the applicable transitional provisions are presented below.

i. Classification of financial assets and financial liabilities

IFRS 9 contains a new method for the classification and measurement of financial assets that reflects the business model within which the assets are held and the characteristics of their cash flows. It then specifies three important measurement categories for financial assets: measured at amortised cost (AC), measured at fair value through other comprehensive income (FVOCI) and measured at fair value through profit or loss (FVTPL).

Depending on the business model, the cash flows of a financial asset (debt instrument) arise as a result of collecting contractual cash flows, selling the financial asset or a combination of the two. In order to classify the financial asset as measured at amortised cost or measured at fair value through other comprehensive income, the contractual cash flows may only be repayments and interest payments on the outstanding capital amount.

A debt instrument is measured at amortised cost if it is held as part of a business model whose purpose is to hold assets in order to collect contractual cash flows. The contractual cash flows must also only be repayments and interest payments on the outstanding capital amount.

As a rule, a debt instrument is measured at fair value through other comprehensive income if – in addition to meeting the cash flow criterion – it is held as part of a mixed business model in which both contractual cash flows are collected and the financial assets are sold.

Unless the above-mentioned criteria for classification as at AC or FVOCI are met, the debt instruments are measured at fair value through profit or loss. Equity instruments are always classified and measured at fair value through profit or loss.

IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities.

IFRS 9 includes, among other things, new provisions for taking account of contractual modifications to financial liabilities. For substantial modifications that lead to the disposal of the financial liability from the financial statements, the provisions remain unchanged in comparison to IAS 39. For insubstantial modifications that do not result in the disposal of the financial liability from the financial statements, the carrying amount should be adjusted through profit or loss pursuant to IFRS 9. The new carrying amount is calculated from the present value of the modified cash flow while applying the original effective interest rate. The adjustment to the carrying amount equates to the modification gain or loss. Under IAS 39, no modification gain or loss was recognised, but instead the effective interest rate was adjusted for the remaining term of the modified liability.

The effects of the new category model under IFRS 9 on the Hapag-Lloyd Group's financial instruments are presented in the following table and subsequent notes, whereby for each class of the financial assets and financial liabilities, the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as well as their respective carrying amounts as at 1 January 2018 are compared.

million EUR	Notes	Classification category according to IAS 39	Classification category according to IFRS 9	Carrying amount 31.12.2017 IAS 39	**Carrying amount 1.1.2018 IFRS 9**
Assets					
Other assets	a	LaR	AC	340.6	340.4
		n. a.	n. a.	118.5	118.5
	b	AfS	FVTPL	3.0	3.0
	b	AfS	n. a.	0.3	0.3
Derivative financial instruments					
Derivatives		FAHfT	FVTPL	12.7	12.7
Hedges (Hedge accounting)		n. a.	n. a.	38.5	38.5
Trade accounts receivable	a	LaR	AC	887.8	887.2
Cash and cash equivalents		LaR	AC	604.9	604.9
Liabilities					
Financial debt	c	FLAC	FLAC	6,211.9	6,200.9
Liablities from finance leases [1]		n. a.	n. a.	123.6	123.6
Other liabilities		FLAC	FLAC	50.6	50.6
		n. a.	n. a.	158.6	158.6
Liabilities from put options [2]		FLAC	FLAC	2.1	2.1
Derivative financial liabilities					
Derivatives		FLHfT	FVTPL	5.2	5.2
Hedges (Hedge accounting)		n. a.	n. a.	4.2	4.2
Trade accounts payable		FLAC	FLAC	1,559.8	1,559.8

[1] Part of financial debt

[2] Part of other liabilities

a) Trade accounts receivable, contract assets and other assets that were classified as loans and receivables (LaR) under IAS 39 are carried at amortised cost (AC) under IFRS 9. As a result of the new impairment model under IFRS 9 (see ii. Impairment), the respective carrying amounts decreased at the point of first-time application. The resulting effect was recognised as a reduction in retained earnings in the opening statement of financial position.

b) As at 31 December 2017, Hapag-Lloyd had financial assets in the category "available for sale" (AfS), which were measured at fair value directly in equity pursuant to IAS 39. As at the reporting date of 31 December 2017, the carrying amount of these financial instruments was EUR 3.3 million. These include securities of EUR 2.3 million that do not meet the cash flow criterion of IFRS 9. The securities were therefore recategorised from the IAS 39 category AfS to the IFRS 9 category FVTPL. As a result of this, all changes in their fair value are recognised through profit or loss from 1 January 2018.

In addition, the available-for-sale financial assets include investments (EUR 0.7 million) that are not held for trading purposes. These were previously measured at cost pursuant to IAS 39 in conjunction with IAS 39.46(c) and will be assigned to the category FVTPL pursuant to IFRS 9. The Hapag-Lloyd Group did not exercise the option of classifying equity instruments covered by IFRS 9 as FVOCI when applying the new standard for the first time (FVOCI option).

Investments of EUR 0.3 million that were not consolidated due to their minor importance to the consolidated financial statements and that also belonged to available-for-sale financial assets under IAS 39 are no longer covered by the scope of application of IFRS 9.

With regard to the three instances outlined above, there were no adjustments to carrying amounts in other assets as at 1 January 2018.

c) In relation to insubstantial modifications to financial liabilities, the carrying amount of the financial debt decreased by EUR 11.0 million in the opening statement of financial position as a result of the new provisions of IFRS 9. Retained earnings increased by the same amount in the opening statement of financial position.

ii. Impairment

The "incurred losses" model for calculating risk provisioning and impairments under IAS 39 is replaced by a forward-looking model under IFRS 9 based on "expected credit losses". Financial assets that are not overdue are also subject to an impairment charge here.

The new impairment model should be applied to financial assets that are measured at amortised cost or at fair value through other comprehensive income – with the exception of equity instruments held as financial investments – as well as to contract assets in accordance with IFRS 15.

A financial asset is deemed to be in default if it has not been possible to collect the contractual payments and it is assumed that they cannot be recovered.

There are two approaches for applying the new impairment model. The general approach involves creating a risk provision for the 12-month expected credit losses (level 1) or for the lifetime expected credit losses (levels 2 and 3). Assignment to the levels is based on whether the credit risk for the financial instrument has significantly increased since first-time recognition (level 2) or whether the financial assets became credit-impaired (level 3). The simplified approach should be applied to trade accounts receivable or contract assets under IFRS 15 that do not contain any significant financing components. With the simplified approach, changes in the credit risk are not tracked, and a risk provision is always recognised for the lifetime expected credit losses (levels 2 and 3).

The general approach is used by the Hapag-Lloyd Group for cash and cash equivalents and other financial assets that fall within the scope of application for impairments under IFRS 9. Due to the short-term nature of bank balances and other cash investments and the high credit rating of the banks involved, the expected credit losses in relation to bank balances and other cash investments are low and are therefore not recognised. The difference between the amount of the loss allowances for other financial assets as at 31 December 2017 under IAS 39 and the amount of the loss allowances for other financial assets as at 1 January 2018 under IFRS 9 is immaterial.

The Hapag-Lloyd Group uses the simplified approach for trade accounts receivable and for contract assets.

To measure the expected credit losses from trade accounts receivable that are not credit-impaired and from contract assets that are not credit-impaired, they are grouped according to the common credit risk characteristics of “geographic region” and “customer rating” using provision matrices. The probabilities of default used in country-specific provision matrices take macroeconomic data into consideration as well as financial and non-financial information about the customers grouped by rating. The probabilities of default used are forward-looking and are verified using historical credit losses. Trade accounts receivable are assumed to be credit-impaired if it is unlikely that the customer will fulfil its obligations or if trade accounts receivable are more than 90 days overdue. To measure the expected credit losses from these receivables, maturity structures, credit standing, geographic region and historical defaults are considered, while taking into account predicted future economic conditions. The amount of the loss allowances for trade accounts receivable and for contract assets as at 1 January 2018 under IFRS 9 is EUR 0.6 million higher than the amount of loss allowances for trade accounts receivable as at 31 December 2017 under IAS 39.

The recognition of expected credit losses comprises estimates and valuations of characteristics of both individual receivables and groups of receivables.

iii. Hedge accounting

When IFRS 9 is applied for the first time, the Group can choose to continue applying the requirements for hedge accounting of IAS 39 instead of the requirements of IFRS 9. Hapag-Lloyd has made the decision to apply the new requirements of IFRS 9.

Under IFRS 9, Hapag-Lloyd must ensure that its accounting for hedging relationships is in line with the objectives and strategy of the Group risk management system and that a more qualitative and future-based method is applied when assessing the effectiveness of hedging transactions. IFRS 9 has also introduced new requirements with regard to the new weighting of hedging relationships and prohibits the voluntary termination of hedge accounting. Under the new model, it is possible that more risk management strategies – in particular those which include a risk hedging component (with the exception of foreign currency risk) of a non-financial item – will fulfil the requirements for hedge accounting. The Hapag-Lloyd Group does not currently hedge risk components of this type.

IFRS 9 also includes new requirements for the recognition of hedging costs if only the change in the intrinsic value or in the value of the cash component as the hedging instrument is designated. Under IAS 39, changes in the value of the non-designated time values, i.e. of the forward component, are recognised directly through profit or loss. When applying IFRS 9, the change in fair value must be recognised through other comprehensive income in this case, in a separate reserve for hedging costs. The change in the interest component and in the foreign currency basis spread can be recognised through other comprehensive income.

The Hapag-Lloyd Group uses bunker options to hedge against fuel price risks, whereby only the intrinsic value is included in the hedging relationship. The resulting changes in fair value were recognised immediately through profit or loss under IAS 39, while they are recognised through other comprehensive income under IFRS 9, as a result of which there are now lower measurement fluctuations in the income statement. Since the new method for recognising changes in the fair value of options must be applied retroactively (see iv. Transition), measurement losses of EUR 0.5 million were reclassified from retained earnings to the reserve for hedging costs as at 1 January 2017. The negative changes in fair value of EUR 0.5 million that occurred in 2017 further increased retained earnings and reduced the reserve for hedging costs accordingly. As at 1 January 2018, the reserve for hedging costs therefore had a negative balance of EUR 1.0 million, and retained earnings were higher than under IAS 39 by the same amount.

Under IAS 39, the cumulative amounts in the cash flow hedge reserve for all cash flow hedges were reclassified as reclassification amounts in profit or loss, and this was done in the same period in which the respective underlying transactions affect profit or loss. Under IFRS 9, however, the option to reclassify is no longer available when hedging non-financial assets. This means that, when recognising inventories, the cumulative amounts in the cash flow hedge reserve and in the hedging cost reserve have to be recognised as an adjustment to the cost of acquisition of the inventories (basis adjustment) from 1 January 2018. However, the carrying amount of inventories as at 1 January 2018 is unchanged within the Hapag-Lloyd Group, as it is assumed that they are consumed immediately, with the result that the amounts are again recognised in transport expenses, similar to the reclassification from the reserve for cash flow hedges.

Hapag-Lloyd also uses currency forward contracts to hedge against fluctuations in cash flows in relation to changes in foreign exchange rates for certain financial debt. Here, all price components were designated under IAS 39 as the hedging instrument of the cash flow hedging relationship (forward-to-forward method). In order to obtain a similar accounting result, Hapag-Lloyd switched to the spot-to-spot method when it applied IFRS 9 for the first time. As a result, only the cash component is still designated as the hedging instrument from 1 January 2018. Hapag-Lloyd is making use of its option here to allocate the changes in the forward component to the reserve for hedging costs.

iv. Transition

Changes to financial reporting methods resulting from the application of IFRS 9 will generally be applied retroactively with the exception of the following cases:

- Hapag-Lloyd has made use of the option not to restate comparative information for previous periods with regard to changes in categorisation and measurement (including impairment). Differences between the current carrying amounts and the carrying amounts resulting from the application of IFRS 9 were generally recognised in retained earnings as at 1 January 2018.
- New requirements for hedge accounting should generally be applied prospectively. However, the recognition of time values of options must be restated retroactively. By contrast, when it comes to the expected change in financial reporting for the forward component and the foreign currency basis spread, the Group has the option of applying this retroactively. Hapag-Lloyd has not made use of this option.
- The facts and circumstances in existence at the point of first-time application should form the basis for determining the business model within which a financial asset is held.

v. Adjustment effects from the retrospective application of IFRS 9

From the retrospective application of the accounting for the fair value of options, the figures reported in the previous year were adjusted as follows:

Consolidated income statement for the period 1 January to 31 March 2017

million EUR	IAS 39 as previously reported	Adjustments	Restated at 31.3.2017
Transport expenses	1,789.1	–4.0	1,785.1
Operating result	**–4.1**	**4.0**	**–0.1**
Earnings before interest and taxes (EBIT)	**3.5**	**4.0**	**7.5**
Earnings before income taxes	**–58.3**	**4.0**	**–54.3**
Group profit/loss	**–62.1**	**4.0**	**–58.1**
thereof attributable to shareholders of Hapag-Lloyd AG	–62.8	4.0	–58.8
Basic/Diluted earnings per share (in USD)	**–0.53**	**0.03**	**–0.50**

Consolidated statement of comprehensive income for the period 1 January to 31 March 2017

million EUR	IAS 39 as previously reported	Adjustments	Restated at 31.3.2017
Group profit/loss	**–62.1**	**4.0**	**–58.1**
Other comprehensive income after tax	**–54.9**	**–4.0**	**–58.9**
Total comprehensive income	**–117.0**	**–**	**–117.0**

Consolidated statement of financial position as at 31 December 2017

million EUR	IAS 39 as previously reported	Adjustments	Restated at 31.12.2017
Equity and liabilities			
Retained earnings	3,173.9	1.0	3,174.9
Cumulative other equity	58.7	–1.0	57.7
Equity	**6,058.3**	**–**	**6,058.3**

Consolidated statement of cash flows for the period 1 January to 31 March 2017

million EUR	IAS 39 as previously reported	Adjustments	Restated at 31.3.2017
Group profit / loss	–62.1	4.0	–58.1
Other non-cash expenses (+) / income (–)	10.6	–4.0	6.6
Cash inflow (+) / outflow (–) from operating activities	**148.1**	**–**	**148.1**

IFRS 15 Revenue from Contracts with Customers

The International Accounting Standards Board published IFRS 15 Revenue from Contracts with Customers in May 2014 and Clarifications to IFRS 15: Revenue from Contracts with Customers in April 2016. IFRS 15 replaces the previous guidelines on the recognition of revenue, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The new standard specifies uniform basic principles for the recognition of revenue that are applicable to all sectors and to all types of revenue transaction. Under IFRS 15, a standardised five-step model applies to assessing the amount of revenue to be recognised and at which time or over which period it is to be recognised. The standard contains a range of additional rules regarding detailed issues such as presenting contract fees and contract amendments.

Hapag-Lloyd has applied IFRS 15 since 1 January 2018. The first-time application of IFRS 15 by the Hapag-Lloyd Group has not had any significant effects with regard to the amount of revenue recognised and when it is recognised. Hapag-Lloyd has not made use of eased transitional provisions regarding IFRS 15 and has therefore not reported any previous year's adjusted figures.

Within revenue from contracts with customers, revenue from sea freight, inland container transport and terminal handling charges are the most important sources of revenue for the Hapag-Lloyd Group.

Under IFRS 15, there is one performance obligation per shipment, which is rendered on a period-related basis, i. e. for the duration of transport. Combining several shipments on a single ship journey produces essentially the same results with regard to the amount of revenue recognised and when it is recognised as are produced when the revenue is recognised on the basis of the single shipment. Since revenue from sea freight, inland container transport and terminal handling charges is already recognised and categorised on a period-related basis, the first-time application of IFRS 15 by the Hapag-Lloyd Group has not had any significant effects in relation to this revenue stream. The method currently used to measure performance progress (input-based method) continues to be used under IFRS 15. IFRS 15 has also not had any effects on the recognition of variable purchase price components, in particular discounts. With regard to the other revenue streams, the first-time application of IFRS 15 has also not had any significant effects on the amount of revenue and when it is recognised.

Since application of IFRS 15 has not resulted in any material effects, no cumulative adjustment amounts had to be recognised in equity as at 1 January 2018. The application of IFRS 15 rather than IAS 18 has also not resulted in any material changes to the amount of revenue in the current reporting period.

As of January 1, 2018, the new balance sheet items “Contract assets” and “Contract liabilities” were introduced in accordance with the requirements of IFRS 15. “Contract assets” mainly include receivables in connection with shipments on voyages not yet completed on the respective balance sheet date (March 31, 2018: EUR 220.3 million). The presentation of trade receivables in the balance sheet was correspondingly reduced by this amount as of March 31, 2018. The “Contract liabilities” mainly include prepayments received from customers (March 31, 2018: EUR 109.5 million). Other liabilities were reduced accordingly as of March 31, 2018.

Hapag-Lloyd AG breaks down its revenue by trade. The breakdown can be found in the segment report.

Group of consolidated companies

The consolidated financial statements include all significant subsidiaries and equity-accounted investments. In addition to Hapag-Lloyd AG, the group of consolidated companies comprised 153 fully consolidated companies (31 December 2017: 157) and 7 equity-accounted investees as at 31 March 2018 (31 December 2017: 7).

One company has been liquidated since 31 December 2017 and is therefore no longer part of the group of consolidated companies. As part of the integration process, three companies have been amalgamated into other companies within the Hapag-Lloyd Group. No significant effects on earnings arose as a result of the liquidation.

SEGMENT REPORTING

The Hapag-Lloyd Group is managed by the Executive Board as a single, global business unit with one sphere of activity. The primary performance indicators are freight rates and transport volume by geographic region as well as EBIT and EBITDA at the Group level.

The allocation of resources (use of ships and containers) and the management of the sales market and of key customers are done on the basis of the entire liner service network and deployment of all of the maritime assets. The Group generates its revenue solely through its activities as a container liner shipping company. The revenue comprises income from transporting and handling containers and from related services and commissions, all of which are generated globally. As the Hapag-Lloyd Group operates with the same product around the world throughout its entire liner service network, the Executive Board has decided that there is no appropriate measure with which assets, liabilities, EBIT and EBITDA as the key performance indicators can be allocated to different trades. All of the Group's assets, liabilities, income and expenses are thus only allocable to the one segment, container liner shipping. The figures given per trade are the transport volume and freight rate, as well as the revenue allocable to said trade.

Transport volume per trade

TTEU	Q1 2018	Q1 2017
Atlantic	439	389
Transpacific	455	386
Far East	519	215
Middle East	375	123
Intra-Asia	257	152
Latin America	663	552
EMAO (Europe-Mediterranean-Africa-Oceania)	153	117
Total	**2,861**	**1,934**

Freight rates per trade [1]

USD / TEU	Q1 2018	Q1 2017
Atlantic	1,293	1,293
Transpacific	1,250	1,218
Far East	897	897
Middle East	783	791
Intra-Asia	522	539
Latin America	1,130	1,051
EMAO (Europe-Mediterranean-Africa-Oceania)	1,081	1,010
Total (weighted average)	**1,029**	**1,056**

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

Revenue per trade[1]

million EUR	Q1 2018	Q1 2017
Atlantic	461.6	472.6
Transpacific	462.8	441.7
Far East	378.7	180.9
Middle East	238.8	91.6
Intra-Asia	109.2	77.1
Latin America	609.2	544.1
EMAO (Europe-Mediterranean-Africa-Oceania)	134.4	110.6
Revenue not assigned to trades	222.0	213.5
Total	**2,616.7**	**2,132.1**

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

Operating earnings before interest, taxes, depreciation and amortisation (EBITDA) are calculated on the basis of the Group's earnings before interest and taxes (EBIT) as presented in the following table. Earnings before taxes (EBT) and the share of profits of the segment's equity-accounted investees correspond to those of the Group.

million EUR	Q1 2018	Q1 2017
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**219.4**	**135.3**
Depreciation, amortisation and impairment	165.7	127.8
Earnings before interest and taxes (EBIT)	**53.7**	**7.5**
Earnings before income taxes (EBT)	**–28.6**	**–54.3**
Share of profit of equity-accounted investees	**8.0**	**7.6**

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

Detailed notes to the income statement are contained in the interim management report in the chapter “Group earnings position”.

Earnings per share

	Q1 2018	Q1 2017 [1]
Profit / loss attributable to shareholders of Hapag-Lloyd AG in million EUR	–37.6	–58.8
Weighted average number of shares in million	175.8	118.1
Basic earnings per share in EUR	**–0.21**	**–0.50**

[1] The previous year’s figures have been adjusted due to the retrospective application of the first time adoption designation of option transactions. Please refer to the explanations in Section "New accounting standards".

Basic earnings per share is the quotient of the Group net result attributable to the shareholders of Hapag-Lloyd AG and the weighted average of the number of shares in circulation during the financial year.

The number of shares increased in the 2017 financial year as a result of the incorporation of the UASC Group on 24 May 2017 and a further capital increase in October 2017. There were no dilutive effects in the first quarter of 2018 or in the corresponding prior year period.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill and other intangible assets

Goodwill and intangible assets were reduced compared with 31 December 2017 due to currency translation effects of EUR 88.6 million and due to the amortisation of other intangible assets of EUR 24.2 million.

Property, plant and equipment

million EUR	31.3.2018	31.12.2017
Vessels	6,894.0	7,160.9
Container	1,580.6	1,659.4
Other equipment	136.2	140.3
Prepayments on account and assets under construction	9.0	5.9
Total	**8,619.8**	**8,966.5**

The carrying amounts of property, plant and equipment were reduced primarily by depreciation in the amount of EUR 141.5 million and currency effects at the reporting date of EUR 240.4 million. Above all, investments in ocean-going vessels and containers in the amount of EUR 33.0 million prompted an increase in property, plant and equipment.

Fixed assets of EUR 174.9 million were recognised in conjunction with finance lease contracts (31 December 2017: EUR 185.1 million). Of this, EUR 91.0 million was attributable to containers (31 December 2017: EUR 96.7 million) and EUR 83.9 million to ships (31 December 2017: EUR 88.4 million).

Non-current assets held for sale

The four ocean-going vessels classified as held for sale in the 2017 financial year were sold in the first quarter of 2018.

Cash and cash equivalents

million EUR	31.3.18	31.12.17
Cash at bank	584.7	598.5
Cash in hand and cheques	13.0	6.4
Total	**597.7**	**604.9**

As at 31 March 2018, a sum totalling EUR 16.9 million with a term of up to three months was deposited in pledged accounts (31 December 2017: EUR 17.6 million) and was therefore subject to a limitation on disposal.

Due to local restrictions, the Hapag-Lloyd Group has limited access to cash and cash equivalents of EUR 0.6 million (31 December 2017: EUR 2.3 million) at individual subsidiaries.

Cumulative other equity

Cumulative other equity comprises the reserve for remeasurements from defined benefit pension plans, the reserve for cash flow hedges, the reserve for hedging costs, the translation reserve and the reserve for put options on non-controlling interests.

The reserve for remeasurements from defined benefit pension plans (31 March 2018: EUR –114.8 million; 31 December 2017: EUR –118.8 million) results from income and expenses from the remeasurement of pension obligations and plan assets recognised cumulatively in other comprehensive income, among other things due to the change in actuarial and financial parameters in connection with the valuation of pension obligations and the associated fund assets. The expenses from the remeasurement of pension obligations and the associated plan assets recognised in other comprehensive income in the first quarter of 2018 resulted in an increase of the reserve by EUR 4.0 million (prior year period: EUR 4.6 million).

The reserve for cash flow hedges contains changes in the intrinsic value and in the cash component from hedging transactions that are recognised in other comprehensive income and amounted to EUR 8.0 million as at 31 March 2018 (31 December 2017: EUR 11.0 million). In the first quarter of 2018, the resulting gains and losses totalling EUR 28.3 million were recognised in other comprehensive income as an effective part of the hedging relationship (prior year period: EUR –0.8 million), while gains and losses of EUR –26.6 million (prior year period: EUR 4.8 million) were reclassified and recognised through profit or loss.

The reserve for hedging costs contains changes in the fair value and in the forward component from hedging transactions that are recognised in other comprehensive income and amounted to EUR –0.7 million as at 31 March 2018 (31 December 2017: EUR –1.0 million). In the first quarter of 2018, the resulting gains and losses totalling EUR –8.4 million were recognised in other comprehensive income as an effective part of the hedging relationship (prior year period: EUR –6.3 million), while gains and losses of EUR –6.0 million (prior year period: EUR –2.3 million) were reclassified and recognised through profit or loss.

The translation reserve of EUR 9.4 million (31 December 2017: EUR 167.5 million) includes all differences from currency translation. The differences from currency translation of EUR –158.5 million recognised in other comprehensive income in the first quarter of 2018 (prior year period: EUR –53.9 million) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. Currency translation differences are recognised in the statement of comprehensive income under the items that are not reclassified and recognised through profit or loss, because the currency translation effects of subsidiaries with the same functional currency as the parent company cannot be recycled. The previous year amount was reclassified within the statement of comprehensive income.

The difference between the relevant non-controlling interests and the expected purchase price at the time the put option was entered is recognised in the reserve for put options on non-controlling interests. Changes in the value of the financial liability are since the beginning of this financial year subsequently recognised through profit or loss in the interest result. This is a voluntary change of accounting policies to present the financial performance more accurate and more relevant. The effects of this voluntary change are immaterial.

As at 31 March 2018, the reserve for put options on non-controlling interests amounted to EUR 0.4 million (previous year: EUR 0.0 million).

Provisions

As part of the Hapag-Lloyd Group's acquisition of the UASC Group on 24 May 2017, the Executive Board of the Hapag-Lloyd Group decided to implement a restructuring plan in June 2017. The plan comprises implementation of the integration and the Group's new organisational structure, which resulted directly from this. The provision of EUR 12.2 million in place as at 31 December 2017 for the expected restructuring costs, including estimated costs incurred for IT modifications, agent terminations, consultancy costs and employee termination costs was utilised in the amount of EUR 4.0 million in the first quarter of 2018.

Financial instruments

The carrying amounts and fair values of the financial instruments as at 31 December 2017 are presented in the table below.

	Carrying amount		Fair value
million EUR	**Total**	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	887.8	887.8	887.8
Other assets	462.4	343.9	343.9
Derivative financial instruments (Held for trading)	12.7	12.7	12.7
Commodity options	4.1	4.1	4.1
Embedded derivatives	8.6	8.6	8.6
Derivative financial instruments (Hedge accounting)	38.5	38.5	38.5
Currency forward contracts	31.2	31.2	31.2
Commodity options	7.3	7.3	7.3
Interest rate swaps	0.0	0.0	0.0
Cash and cash equivalents	604.9	604.9	604.9
Liabilities			
Financial debt	6,211.9	6,211.9	6,225.8
Liabilities from finance leases [1]	123.6	123.6	125.5
Trade accounts payable	1,559.8	1,559.8	1,559.8
Derivative financial instruments (Held for trading)	5.2	5.2	5.2
Interest rate swaps	5.2	5.2	5.2
Derivative financial liabilities (Hedge accounting)	4.2	4.2	4.2
Interest rate swaps	4.2	4.2	4.2
Other liabilities	209.2	50.6	50.6
Liabilities from put options [2]	2.1	2.1	2.3

[1] Part of financial debt

[2] Part of other liabilities

The carrying amounts and fair values of the financial instruments as at 31 March 2018 are presented in the table below.

million EUR	Carrying amount Total	Carrying amount thereof financial instruments	Fair value Financial instruments
Assets			
Trade accounts receivable	646.3	646.3	646.3
Contract assets [1]	220.3	220.3	220.3
Other assets	454.0	343.5	343.5
Derivative financial instruments (FVTPL)	6.5	6.5	6.5
Embedded derivatives	6.5	6.5	6.5
Derivative financial instruments (Hedge accounting) [2]	28.0	28.0	28.0
Currency forward contracts	19.3	19.3	19.3
Commodity options	7.5	7.5	7.5
Interest rate swaps	1.2	1.2	1.2
Cash and cash equivalents	597.7	597.7	597.7
Liabilities			
Financial debt	5,936.1	5,936.1	5,906.6
Liabilities from finance leases [3]	113.3	113.3	111.8
Trade accounts payable	1,530.4	1,530.4	1,530.4
Derivative financial instruments (FVTPL)	1.3	1.3	1.3
Interest rate swaps	1.3	1.3	1.3
Derivative financial liabilities (Hedge accounting) [2]	6.4	6.4	6.4
Currency forward contracts	5.1	5.1	5.1
Interest rate swaps	1.3	1.3	1.3
Other liabilities	107.6	78.9	78.9
Liabilities from put option [4]	1.5	1.5	1.6
Contract liabilities [5]	109.5	–	–

[1] The balance of the contract assets was contained in trade accounts receivable as at 31 December 2017.

[2] The market value of the non-designated fair values and forward components are also presented here, of which changes are recognized in the reserve for costs of hedging.

[3] Part of financial debt

[4] Part of other liabilities

[5] The balance of the contract liabilities was contained in other liabilities as at 31 December 2017.

The derivative financial instruments were measured at fair value.

Other assets include securities with a fair value of EUR 2.0 million (31 December 2017: EUR 2.1 million) that are allocated to level 1 of the fair value hierarchy, as their prices are quoted on an active market.

The liabilities from bonds included within financial debt that, due to the quotation on an active market, are also allocated to level 1 of the fair value hierarchy have a fair value of EUR 921.5 million (31 December 2017: EUR 948.3 million). The fair values indicated for the remaining financial debt, derivative financial instruments and liabilities from finance leases are assigned to level 2 of the fair value hierarchy. This means that the instruments are measured using methods which are based on factors derived directly or indirectly from observable market data.

The put options recognised under other liabilities whose fair value was calculated as EUR 1.6 million belong to level 3 of the fair value hierarchy.

The carrying amounts of all other level 2 financial instruments are a suitable approximation of the fair values.

There were no transfers between levels 1, 2 and 3 in the first three months of 2018.

Financial debt

The following tables contain the carrying amounts for the individual categories of financial debt.

Financial debt

million EUR	31.3.2018	31.12.2017
Liabilities to banks	4,513.6	4,747.4
Bonds	910.7	923.8
Liabilities from finance lease contracts	113.3	123.6
Other financial debt	511.8	540.7
Total	**6,049.4**	**6,335.5**

Financial debt by currency

million EUR	31.3.2018	31.12.2017
Financial debt denoted in USD (excl. transaction costs)	4,749.5	5,055.8
Financial debt denoted in EUR (excl. transaction costs)	1,085.0	1,085.7
Financial debt denoted in SAR (excl. transaction costs)	240.2	207.5
Interest liabilities	38.9	47.5
Transaction costs	–64.2	–61.0
Total	**6,049.4**	**6,335.5**

In the first quarter of 2018, the programme to securitise receivables was expanded by USD 100.0 million.

Furthermore, Hapag-Lloyd fully repaid an existing loan held by UASC Ltd. early in the amount of USD 100.0 million using only cash from the available liquidity.

In March 2018, Hapag-Lloyd placed an order for 55,000 standard containers with a capital expenditure of USD 109.7 million. For this purpose, Hapag-Lloyd entered into a financing obligation of USD 171.4 million which enables additional capital expenditure on containers. Delivery of the containers is scheduled to be complete by August 2018.

The Hapag-Lloyd Group had total available credit facilities of EUR 401.7 million as at 31 March 2018 (31 December 2017: EUR 454.6 million).

OTHER NOTES

Legal disputes
There have been no significant changes regarding legal disputes in comparison with the 2017 consolidated financial statements.

As at the reporting date, there were EUR 132.8 million in contingent liabilities from tax risks not classified as probable (31 December 2017: EUR 135.5 million).

Obligations from operating lease contracts
The Group's obligations from operating lease contracts above all relate to charter and lease agreements for ships and containers, and rental agreements for business premises. Charter agreements for ships are always structured as time charter contracts, i. e. in addition to the capital costs, the charterer bears part of the ship operating costs, which are reimbursed as part of the charter rate.

In the first three months of 2018, lease payments of EUR 238.4 million were posted to expenses (prior year period: EUR 258.6 million).

Total future minimum lease payments from non-cancellable operating lease contracts consist of the following:

million EUR	31.3.2018	31.12.2017
Ships and containers	643.0	542.1
Administrative buildings	102.1	101.6
Other	230.8	203.2
Total	**975.9**	**846.9**

Other financial obligations

As at 31 March 2018, the purchase obligation for investments in containers amounted to EUR 100.9 million. The amount of the purchase obligation for investments in containers was immaterial as at 31 December 2017.

Related party disclosures

In carrying out its ordinary business activities, the Hapag-Lloyd Group maintained indirect or direct relationships with related companies and individuals and with its own subsidiaries included in the consolidated financial statements. These supply and service relationships are transacted at market prices. No significant changes in these supply and service relationships have arisen since 31 December 2017. The contractual relationships with related parties described in the remuneration report from page 76 onwards of the 2017 annual report remain essentially unchanged, but are not of material importance to the Group.

In relation to the Executive Board changes as at 1 April 2018, the employment contract of an Executive Board member was terminated early on 31 March 2018 and the benefits agreed until the original end date of the employment contract were paid early in the last quarter.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

At its meeting on 9 May 2018 the Supervisory Board adopted the resolution that the appointment of Mr. Rolf Habben Jansen as Chief Executive Officer (CEO) of Hapag-Lloyd AG will be extended for another five years until 31 March 2024.

Hamburg, 9 May 2018

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Nicolás Burr

Anthony J. Firmin

Joachim Schlotfeldt

PRELIMINARY FINANCIAL CALENDAR 2018

10 JULY 2018
Annual General Meeting

10 AUGUST 2018
Half-year financial report, first half 2018

8 NOVEMBER 2018
Quarterly financial report, first nine months 2018

IMPRINT

Hapag-Lloyd AG
Ballindamm 25
20095 Hamburg
Germany

Investor Relations
Phone: +49 40 3001 - 2896
Fax: +49 40 3001 - 72896

Corporate Communications
Phone: +49 40 3001 - 2529
Fax: +49 40 335360
www.hapag-lloyd.com

Consulting, concept and layout
Hapag-Lloyd Corporate Communications
Silvester Group

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