Q1 | 2019

Hapag-Lloyd AG

Quarterly financial report

1 January to
31 March 2019

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES QUARTERLY FINANCIAL REPORT 2019

		1.1.–31.3.2019	1.1.–31.3.2018	Change absolute
Key operating figures [1]				
Total vessels		235	221	14
Aggregate capacity of vessels	TTEU	1,680	1,589	91
Aggregate container capacity	TTEU	2,542	2,384	158
Freight rate (average for the period)	USD/TEU	1,079	1,029	50
Transport volume	TTEU	2,929	2,861	68
Revenue	million EUR	3,063	2,619	443
EBITDA	million EUR	489	216	273
EBIT	million EUR	214	51	163
Group profit/loss	million EUR	96	–34	131
Earnings per share	EUR	0.52	–0.21	0.73
Cash flow from operating activities	million EUR	536	254	282
Key return figures [1]				
EBITDA margin (EBITDA/revenue)	%	16.0	8.3	7.7 ppt
EBIT margin (EBIT/revenue)	%	7.0	1.9	5.1 ppt
ROIC (Return on Invested Capital) [2]	%	6.4	1.6	4.8 ppt
Key balance sheet figures as at 31 March [1]				
Balance sheet total	million EUR	16,417	15,301	1,116
Equity	million EUR	6,425	6,259	166
Equity ratio (equity/balance sheet total)	%	39.1	40.9	–1.8 ppt
Borrowed capital	million EUR	9,992	9,042	950
Key financial figures as at 31 March [1]				
Financial debt	million EUR	6,949	6,018	931
Cash and cash equivalents	million EUR	574	657	–83

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

Note: Due to the first-time application of IFRS 16 “Leasing Agreements” as of 1 January 2019, the figures regarding the group earnings, financial and net asset positions for the first quarter of 2019 are only comparable with the previous year to a limited extent. Unless otherwise stated, prior-year figures refer to the regulations for leasing agreements in accordance with IAS 17. Additionally, as a result of the change in presentation of the consolidated income statement, the previous year’s values have been adjusted.

1 Key operating figures and return figures refer to the respective reporting period. The comparison of the balance sheet key figures as well as the financial key figures relates to the balance sheet date 31 December 2018.

2 Return on invested capital (ROIC) is calculated as the ratio between operating profit after tax (NOPAT) and invested capital (total assets excluding cash and cash equivalents less liabilities excluding financial liabilities). The ratio is calculated on an annualised basis and in US dollars.

MAIN DEVELOPMENTS IN Q1 2019

- Transport volumes increases by 2.4% in the first 3 month of the year
- Positive freight rate development: The freight rate of 1,079 USD / TEU is 4.9% higher compared to the prior year period (Q1 2018: 1,029 USD / TEU)
- A significant increase in the average bunker consumption price[1] of USD 53 to USD 425 per tonne led to an increase in bunker costs of 22.9% (Q1 2018: USD 372 per tonne)
- Exchange rate effects led to an increase in transport expenses of 8.0% compared to the previous year. The first-time application of IFRS 16 led to a reduction within the transport expenses. On the other hand, quantity- and price-related increases in different cost categories as well as the significantly higher bunker price, had an opposing effect
- Clearly positive EBITDA of EUR 489.3 million in the first 3 month of 2019 (Q1 2018: EUR 216.4 million). This includes a positive effect from the first-time application of IFRS 16 in the amount of approximately EUR 100 million. EBITDA-margin for the first quarter 2019 at 16.0% (Q1 2018: 8.3%)
- Due to the first-time application of IFRS 16, depreciation in the first 3 months of the year increased by 66.3% to EUR 275.6 million (Q1 2018: EUR 165.7 million)
- At EUR 213.7 million (incl. approx. EUR 4 million positive IFRS 16 effect), the operating result (EBIT) also significantly increased compared to the prior year period (Q1 2018: EUR 50.7 million)
- Group profit of EUR 96.2 million (incl. approx. EUR –11 million negative IFRS 16 effect) clearly positive and substantially above previous year´s level (Q1 2018: EUR –34.3 million)
- Strong operating cash flow of EUR 536.2 million (Q1 2018: EUR 253.8 million), positively impacted by the first-time application of IFRS 16 in the amount of approximately EUR 105 million
- Liquidity reserve of EUR 1,058.9 million as at 31 March 2019
- Increase in total assets of EUR 1,115.6 million compared with the level at 31 December 2018, mainly driven by the first-time application of IFRS 16
- Equity ratio decreases slightly to 39.1% due to IFRS 16 (31 December 2018: 40.9%)

[1] Weighted average MFO & MDO

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

This quarterly financial report was published on 9 May 2019

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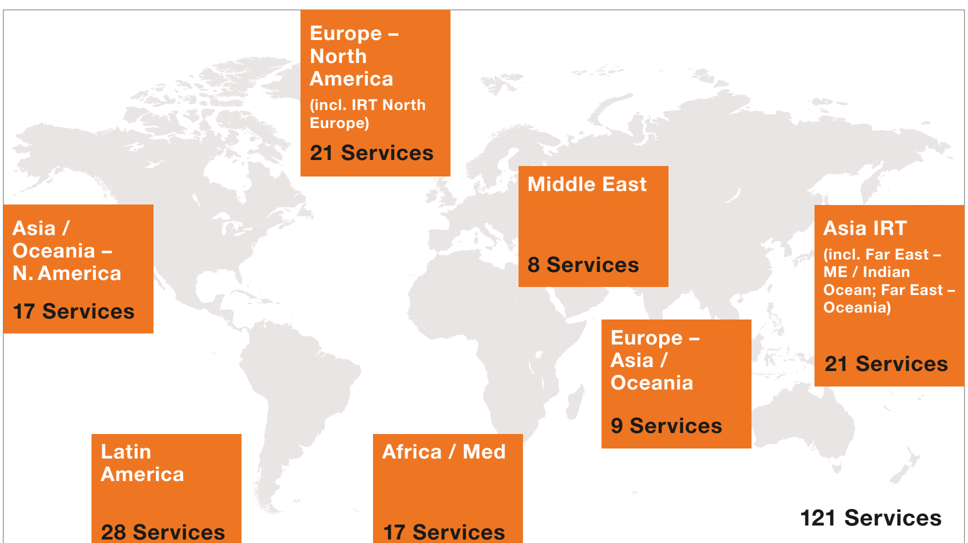
INTERIM GROUP MANAGEMENT REPORT

BUSINESS ACTIVITIES

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.

The Hapag-Lloyd fleet comprised 235 container ships as at 31 March 2019 (31 March 2018: 221). The Group currently has 398 sales offices in 128 countries and offers its customers worldwide access to a network of 121 liner services. In the first 3 months of 2019, Hapag-Lloyd served approximately 19,600 customers around the world.

Network of Hapag-Lloyd services



Source: Company data

Since 1 April 2017, Hapag-Lloyd has been operating 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 2019, THE Alliance covered all East–West trades with around 247 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.

CORPORATE 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, EBIT and return on invested capital (ROIC).

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

IHS Global Insight (January 2019) has forecast a rise in global container shipments of 4.7% to around 153 million TEU in 2019 and a further 4.9% to approximately 161 million TEU in 2020. 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 2019 financial year. As at 31 March 2019, the Hapag-Lloyd Group had a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 1,058.9 million (31 December 2018: EUR 1,133.0 million).

Strategy 2023

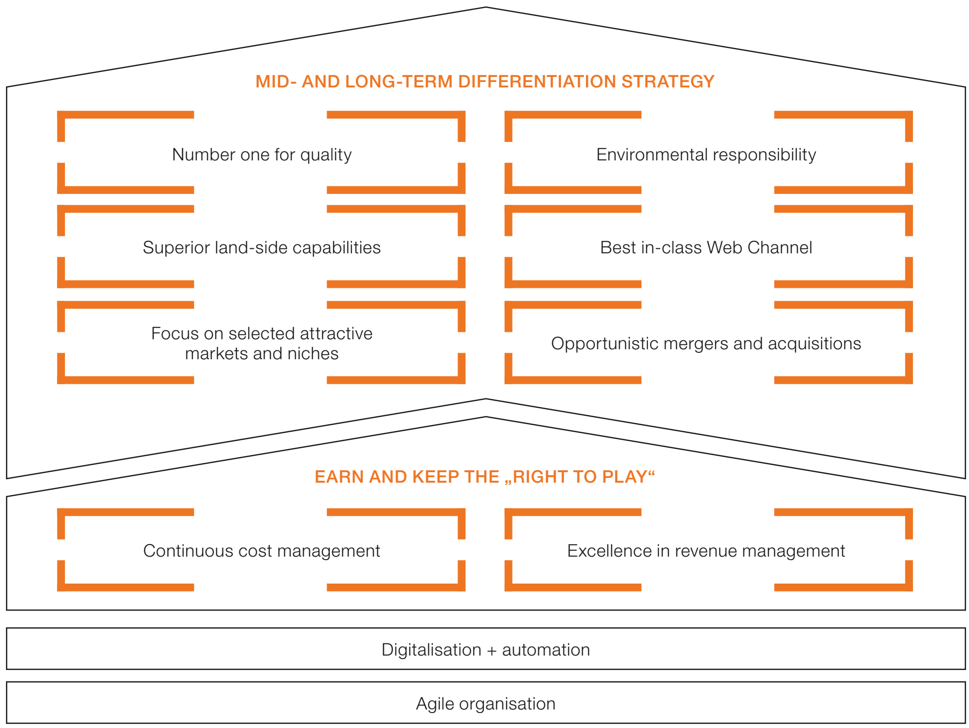
The Executive Board of Hapag-Lloyd AG first reported on the Group's new strategy ("Strategy 2023") at a capital market day in November 2018. Strategy 2023 is also described in detail on pages 62 ff. of the Group management report in the 2018 annual report.

The 3 core objectives of Strategy 2023 are:

- Becoming number one for quality
- Remain a global player
- Profitability throughout the entire economic cycle

The focus of Strategy 2023 is on leadership in quality and profitable growth based on continuous, consistent cost and revenue management and the improvement of internal processes through greater agility and by taking advantage of technological opportunities, such as digitalisation and automation. Hapag-Lloyd has already launched a number of projects to ensure that its total cost structure is competitive. Thanks to improved cost structures, it is expected that an earnings contribution of between USD 350 and 400 million per year can be achieved by 2021. In the area of revenue management, Hapag-Lloyd has identified the key places in which optimisations can be made and has launched initial measures. In addition, initial digitalisation measures such as the web channel with Quick Quotes have already been implemented. The planning period for Strategy 2023 will run until the end of the year 2023. Although further implementation will take place in 2019, most of the measures and their effects on earnings will be seen in the subsequent years.

The most important elements of Strategy 2023 are presented in the following illustration. The focus here is on clearly differentiating the Company from its competitors.



The Hapag-Lloyd Group's current key financial indicators will continue to be EBITDA and EBIT. Hapag-Lloyd is also aiming to be profitable throughout the entire economic cycle, i. e. to achieve a return on invested capital (ROIC) that is at least equal to the Company's weighted average cost of capital (WACC). The reduction of debt remains a priority, and the Company's target is to achieve a ratio of net debt to EBITDA of 3.0x or less by the end of 2023. Furthermore, Hapag-Lloyd is aiming for an equity ratio of over 45% and a liquidity reserve of around USD 1.1 billion.

In addition to the key financial indicators, the following new non-financial goals have been set:

Leadership in quality is to be measured using a Net Promoter Score (NPS). In addition, the Company intends to improve reliability, i. e. punctuality, to clearly define its pledge on punctuality and to put in place the technical requirements for measuring punctuality on a standardised basis and reporting on it.

Hapag-Lloyd aims to increase the percentage of door-to-door business to over 40% by 2023. This cargo type requires additional services which Hapag-Lloyd offers customers and which enable it to generate higher revenue and a higher margin.

Hapag-Lloyd is aiming for a global market share (worldwide, excluding Intra-Asia) of more than 10%. To achieve this goal, Hapag-Lloyd wants to increase its presence in attractive growth markets and in the area of special cargo in particular. This includes the transportation of reefer containers, which Hapag-Lloyd sees today as an area of strength. The Company is aiming for a market share of around 10% here as well.

The success of its digitalisation strategy is to be measured by whether it increases the volume of cargo booked via the web channel to 15% of total volume by 2023.

As a company with a tradition of environmental awareness, it is a matter of course for Hapag-Lloyd that the Company complies with the stricter environmental requirements, such as IMO 2020, and that it implements the necessary technical and organisational changes with the greatest care and attention. In the context of the International Maritime Organization's (IMO) requirements from 2020 to reduce sulphur dioxide emissions, Hapag-Lloyd will install exhaust gas cleaning systems (EGCS) on 10 larger container ships and test the use of liquid gas (LNG) by converting one of its large vessels. All of this is in addition to its predominant use of low-sulphur fuel.

Strategy 2023, including the aforementioned targets and goals, will become even more concrete as the strategy is implemented and it will be flexibly adapted to the changing operating environment if necessary.

Hapag-Lloyd will report on its progress towards achieving its aims in the course of the 2019 financial year.

In the 2019 financial year the focus will be on:

- The Strategy 2023
- Achieving further cost savings, which are expected to reach UDS 350 – 400 million p. a. by 2021
- Continue implementing measures to improve revenue quality
- Further developing Hapag-Lloyd´s partnership within THE Alliance
- Technical and organisational preparations for the IMO´s new exhaust gas standards

IMPORTANT FINANCIAL PERFORMANCE INDICATORS

Important financial performance indicators for the Hapag-Lloyd Group include EBITDA, EBIT, the transport volume and freight rates. Transport Volume and freight rates are important factors influencing revenue development. The development of the financial performance indicators in the first 3 months of 2019 is presented in the section “Group earnings position”. Since the 2015 financial year, the return on invested capital (ROIC) has also been used as a performance indicator.

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 liabilities excluding financial debt. 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 2019	Q1 2018		**Q1 2019**	Q1 2018
Non-current assets	13,954.5	12,195.5	Non-current assets	15,672.6	15,028.2
Inventory	257.3	204.4	Inventory	288.9	251.9
Accounts receivables	1,253.2	646.3	Accounts receivables	1,407.5	796.4
Other assets	378.3	687.5	Other assets	424.9	847.3
Assets	**15,843.3**	**13,733.7**	**Assets**	**17,793.9**	**16,923.8**
Provisions	709.0	612.4	Provisions	796.3	754.7
Accounts payable	1,789.4	1,530.4	Accounts payable	2,009.7	1,885.9
Other liabilities	544.6	269.7	Other liabilities	611.9	332.1
Liabilities	**3,043.0**	**2,412.5**	**Liabilities**	**3,417.9**	**2,972.7**
Invested Capital	**12,800.3**	**11,321.2**	**Invested Capital**	**14,376.0**	**13,951.1**
EBIT	213.7	50.7	EBIT	242.7	62.3
Taxes	11.4	5.7	Taxes	13.0	7.1
Net Operating Profit after Tax (NOPAT)	**202.3**	**45.0**	**Net Operating Profit after Tax (NOPAT)**	**229.7**	**55.2**
			Return on Invested Capital (ROIC)	**6.4%**	**1.6%**

Figures in USD, rounded, aggregated and calculated on an annualised basis. As a result of the change in presentation of the consolidated income statement, the previous year’s values have been adjusted.

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 2019, Hapag-Lloyd's fleet comprised a total of 235 container ships (31 December 2018: 227 vessels). All of the vessels are certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate.

The majority of the vessels are certified as per ISO 9001 (quality management) and ISO 14001 (environmental management). The TEU capacity of the entire Hapag-Lloyd fleet as at 31 March 2019 was 1,679,966 TEU, which was a slight increase compared to 31 December 2018 (1,643,371 TEU). The share of chartered vessels of Hapag-Lloyd was approximately 37% as at 31 March 2019 based on TEU capacity (31 December 2018: approximately 36%).

As at 31 March 2019, the average age of Hapag-Lloyd's total fleet (capacity-weighted) was 8.2 years. The average ship size within the Hapag-Lloyd Group fleet is 7,149 TEU, which is approximately 19% above the comparable average figure for the 10 largest container liner shipping companies (31 March 2019: 5,995 TEU) and around 70% above the average ship size in the global fleet (31 March 2019: 4,203 TEU).

As at 31 March 2019, Hapag-Lloyd owned or rented 1,545,740 containers (31 December 2018: 1,554,423) with a capacity of 2,542,226 TEU for shipping cargo (31 December 2018: 2,559,316 TEU). The capacity-weighted share of leased containers of the Group was around 47% as at 31 March 2019 (31 December 2018: 48%).

Hapag-Lloyd's service network comprised 121 services as at 31 March 2019 (31 December 2018: 119 services).

Structure of Hapag-Lloyd's container ship fleet

	31.3.2019	31.12.2018	31.3.2018
Number of vessels	235	227	221
thereof			
Own vessels [1]	112	112	112
Chartered vessels	123	115	109
Aggregate capacity of vessels (TTEU)	1,680	1,643	1,589
Aggregate container capacity (TTEU)	2,542	2,559	2,384
Number of services	121	119	124

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

Bunker consumption totalled approximately 1.1 million tonnes in the first 3 months of 2019 and was therefore on a par with the previous year (previous year: approximately 1.1 million tonnes). Around 15% (Q1 2018: approximately 12%) of this comprised bunker with a low proportion of sulphur (MFO low sulphur [0.1%], MDO). The efficiency of the container ship fleet is also reflected in the bunker consumption data per slot (as measured by the average annual container storage space) of 2.7 tonnes (previous year: 2.8 tonnes). In terms of transported TEU, bunker consumption of 0.38 tonnes per TEU was the same as in the previous year (Q1 2018: 0.38 tonnes per TEU).

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

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 3 months of the 2019 financial year, Hapag-Lloyd and UASC completed transport contracts for approximately 19,600 customers (Q1 2018: approximately 18,500).

Employees

The Hapag-Lloyd Group employed 12,853 people as at 31 March 2019 (31 March 2018: 12,288). Of this total, 10,657 were shore-based employees (31 March 2018: 10,125), while 1,982 people were sea-based (31 March 2018: 1,942). Hapag-Lloyd also employed 214 apprentices as at 31 March 2019 (31 March 2018: 221).

Number of employees

	31.3.2019	31.12.2018	31.3.2018
Marine personnel	1,982	1,970	1,942
Shore-based personnel	10,657	10,561	10,125
Apprentices	214	234	221
Total	**12,853**	**12,765**	**12,288**

ECONOMIC REPORT

General economic conditions

The experts at the International Monetary Fund (IMF) anticipate global economic growth of 3.3% and 3.6% in 2019 and 2020 respectively (IMF, World Economic Outlook, April 2019). This means that the IMF has slightly lowered its growth prediction for 2019 by 0.2 percentage points compared to its forecast published in January 2019 while keeping its growth prediction unchanged for 2020. The current forecast assumes that global growth will weaken in the first half of 2019 before gradually stabilising. The expected recovery in the second half of 2019 is based on the assumption of continuing political momentum in China, the recent improvement in sentiment on global financial markets, the decrease in some temporary growth weakness in the euro area and a gradual stabilisation of conditions in troubled emerging markets, including Argentina and Turkey.

Based on its current forecast, the IMF predicts that the volume of global trade, which is key to the demand for container shipping services, will grow by 3.4% in 2019 compared with the previous year. The institute has therefore cut its forecast from January 2019 substantially by 0.6 percentage points. Growth of 3.9% is expected in 2020 (January forecast: 4.0%).

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

in %	2020e	2019e	2018	2017	2016	2015	2014
Global economic growth	3.6	3.3	3.6	3.8	3.4	3.4	3.6
Industrialised countries	1.7	1.8	2.2	2.4	1.7	2.3	2.1
Developing and newly-industrialised countries	4.8	4.4	4.5	4.8	4.6	4.3	4.7
World trading volume (goods and services)	3.9	3.4	3.8	5.4	2.2	2.8	3.9
Container transport volume (IHS)	4.9	4.7	4.0	5.6	3.1	1.2	4.0

Source: IMF, April 2019; IHS Global Insight January 2019

Based on current forecasts, the global cargo volume could rise to approximately 153 million TEU in 2019 (IHS Global Insight, January 2019). IHS Global Insight expects the global container shipping volume to increase by 4.7% in 2019, once again outpacing the forecast rate of growth for global trade. For the period 2020 to 2024, IHS Global Insight is currently predicting annual growth of between 4.7% and 4.9% in the global container shipping volume. As a result, container shipping will continue to be a growth industry.

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

Sector-specific conditions

At the beginning of 2019, the aggregate capacity of the global container ship fleet was approximately 22 million TEU (Drewry Container Forecaster Q1 2019, April 2019). Based on the container ships on order and planned deliveries, the globally available transport capacity should see increases of around 0.7 million TEU in 2019 and around 0.8 million TEU in 2020 (Drewry Container Forecaster Q1 2019, April 2019). This includes the expected delays of deliveries in the current financial year and the expected scrapping. The tonnage of the commissioned container ships of approximately 2.5 million TEU (MDS Transmodal, April 2019) is equivalent to around 11% of the present global container fleet's capacity (approximately 22 million TEU). It therefore remains well below the highest level seen to date, which was around 61% in 2007, and the average over the last 5 years (around 16%).

In the period from January to March 2019, orders were placed for the construction of 46 container ships with a transport capacity totalling approximately 0.2 million TEU (FY 2018: capacity of approximately 1.3 million TEU (Clarksons Research, April 2019)).

Expected development of global container fleet capacity

million TEU	2020e	2019e	2018	2017
Existing fleet (beginning of the year)	22.7	22.0	20.8	20.1
Planned deliveries	1.4	1.1	1.5	1.5
Expected scrappings	0.4	0.3	0.1	0.4
Postponed deliveries and other changes	0.1	0.1	0.2	0.4
Net capacity growth	**0.8**	**0.7**	**1.2**	**0.7**

Source: Drewry Container Forecaster Q1 2019, April 2019. Expected nominal capacity based on planned deliveries. Based on existing orders and current predictions for scrapping and postponed deliveries. Figures rounded. Rounding differences may be the result of changes in the databases.

The forecast net capacity growth of 0.7 million TEU (Drewry Container Forecaster Q1 2019) coincides with growth in global container shipping volume of 6.8 million TEU in 2019 (IHS Global Insight, January 2019).

The actual growth in the global container ship fleet's transport capacity is regularly lower than the projected nominal increase, as old and inefficient vessels are scrapped and deliveries of newbuilds are postponed. Based on figures from MDS Transmodal, a total of 32 container ships with a transport capacity of approximately 0.3 million TEU were placed into service in the first 3 months of 2019 (Q1 2018: 45 ships with a transport capacity of approximately 0.4 million TEU). At 0.1 million TEU, the scrapping of inefficient vessels was significantly lower in 2018 than in previous years (2017: 0.4 million TEU; 2016: 0.7 million TEU). According to Drewry (Container Forecaster Q1 2019), however, the figure is expected to rise again in 2019 to approximately 0.3 million TEU. At the beginning of the year, Drewry expected an increase in scrapping of approximately 0.5 million TEU (Drewry Container Forecaster 4Q 2018), According to Clarksons, around 0.1 million TEU was already scrapped in the first 3 months of 2019.

Idle capacity was around 0.5 million TEU at the end of March 2019 (Alphaliner Weekly, April 2019), accounting for approximately 2% of the global fleet. The majority of idle vessels have a capacity of up to 5,100 TEU.

Consolidation of the industry and alliances

The following 3 alliances have existed since the start of the second quarter of 2017: the “2M Alliance” consists of the two market leaders – Maersk Line (Denmark) (Maersk) and Mediterranean Shipping Company S. A. (Switzerland) (MSC) – which started operating in early 2015. The “Ocean Alliance” consists of CMA CGM S. A. (France), including its subsidiary APL (Singapore), China COSCO Shipping (China) (COSCO), including Orient Overseas (International) Limited (Hong Kong) (OOIL), which was taken over by COSCO in July 2018, and Evergreen Marine Corp. Ltd. (Taiwan) (Evergreen). Hapag-Lloyd operates THE Alliance in partnership with Ocean Network Express (Singapore) (ONE) and Yang Ming Marine Transport Corp. Ltd. (Taiwan) (Yang Ming). ONE was created on 1 April 2018 from the merger of the 3 Japanese alliance partners Kawasaki Kisen Kaisha Ltd. (Japan) (“K” Line), Mitsui O. S. K. Lines Ltd. (Japan) (MOL) and Nippon Yusen Kabushiki Kaisha Ltd. (Japan) (NYK).

Capacity share of alliances based on selected trades

in %	Far East trade	Transpacific trade	Atlantic trade
2M	38	22	48
Ocean Alliance	36	43	10
THE Alliance	**25**	**28**	**33**
Other	1	7	9

Source: Alphaliner, March 2019

There has been significant consolidation within the container shipping industry in recent years. As a result, the 10 biggest container liner shipping companies accounted for around 84% of the total capacity of the global container ship fleet as at 31 March 2019, up from around 61% in 2013 (MDS Transmodal, January 2019 and Drewry Container Forecaster, 1Q19). This consolidation was driven by Hapag-Lloyd’s mergers with the container shipping activities of Compañía Sud Americana de Vapores (CSAV) in 2014 and United Arab Shipping Company Ltd. (UASC) in 2017, the merger between China COSCO Shipping (COSCO) and China Shipping Container Lines Company Limited (CSCL) in 2016, the acquisition of Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft ApS & Co (Hamburg Süd) by Maersk Line A / S (Maersk) (2017), the joint venture involving the container liner activities of the 3 Japanese shipping companies Kawasaki Kisen Kaisha Ltd. (“K” Line), Mitsui O. S. K. Lines Ltd. (MOL) and Nippon Yusen Kabushiki Kaisha Ltd. (NYK) to form Ocean Network Express (ONE) in 2018, the acquisition of Orient Overseas (International) Limited (OOIL) by China COSCO Shipping (COSCO) in 2018 and the insolvency of Hanjin Shipping Co. Ltd. (Hanjin) in 2016, which was the world’s eighth-largest container liner shipping company at the time.

GROUP EARNINGS, FINANCIAL AND NET ASSET POSITION

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

To increase transparency and standardise the externally communicated structure of the income statement in line with the management perspective, Hapag-Lloyd changed the presentation of the consolidated income statement since 1 January 2019. As a result, the previous period’s values have been adjusted in line with the new presentation. The change in presentation has led to modifications within the income statement compared to the values reported in the quarterly financial report as at 31 March 2018.

Group earnings position

Hapag-Lloyd’s performance in the first 3 months of the 2019 financial year was once again dominated by the challenges in the container shipping industry.

Against the backdrop of unwavering intense competition, developments in the first quarter were slightly above expectations. Compared to the first quarter of 2018, the development of the average freight rate, the increase in the transport volume and a strengthening of the US dollar against the euro had a positive effect on the earnings position. At USD 1.14 / EUR, the average US dollar / euro exchange rate was stronger than in the prior year period (USD 1.23 / EUR). By contrast, increased bunker costs had a negative impact on quarterly earnings in 2019. Hapag-Lloyd generated an operating result before interest and taxes (EBIT) of EUR 213.7 million in the first quarter of 2019 (prior year period: EUR 50.7 million) and a group result of EUR 96.2 million (prior year period: EUR –34.3 million).

As a result of the change in presentation of the consolidated income statement, EBIT for the first quarter of 2018 fell by EUR 3.0 million, from EUR 53.7 million to EUR 50.7 million. This is due to the recognition of valuation effects from currency fluctuations in financial liabilities and corresponding hedging instruments in the newly introduced item “Other financial items”, which were reported within other operating income and other operating expenses in the prior reporting period.

Consolidated income statement[1]

million EUR	Q1 2019	Q1 2018
Revenue	3,062.9	2,619.5
Transport expenses	2,343.0	2,169.8
Personnel expenses	166.7	159.2
Depreciation, amortisation and impairment	275.6	165.7
Other operating result	–72.6	–82.2
Operating result	**205.1**	**42.6**
Share of profit of equity-accounted investees	8.5	8.0
Result from investments	0.1	–
Earnings before interest and tax (EBIT)	**213.7**	**50.7**
Interest result	–106.2	–82.3
Other financial items	0.2	3.1
Income taxes	11.4	5.7
Group profit/loss	**96.2**	**–34.3**
thereof profit/loss attributable to shareholders of Hapag-Lloyd AG	91.6	–37.6
thereof profit/loss attributable to non-controlling interests	4.6	3.3
Basic/diluted earnings per share (in EUR)	0.52	–0.21
EBITDA	**489.3**	**216.4**
EBITDA margin (%)	**16.0**	**8.3**
EBIT	**213.7**	**50.7**
EBIT margin (%)	**7.0**	**1.9**

[1] As a result of the change in presentation of the consolidated income statement, the previous year's values have been adjusted.

The average freight rate in the first quarter of 2019 was USD 1,079/TEU, which was USD 50/TEU up on the prior year period (USD 1,029/TEU). Despite the ongoing difficult market environment, the slight improvement in freight rates in the second half of 2018 continued in the first quarter of 2019.

Freight rate increases, particularly on the Atlantic, Transpacific, Far East and Latin America trades, had a positive effect on the average freight rate in the reporting period and therefore on earnings. However, the freight rate decrease on the Middle East trade had the opposite effect.

Freight rates per trade[1]

USD/TEU	Q1 2019	Q1 2018
Atlantic	1,351	1,293
Transpacific	1,338	1,250
Far East	930	897
Middle East	757	787
Intra Asia	528	522
Latin America	1,181	1,130
EMAO (Europe – Mediterranean – Africa – Oceania)	1,099	1,041
Total (weighted average)	**1,079**	**1,029**

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

With its balanced positioning on the relevant trades, Hapag-Lloyd was able to increase its transport volume by 68 TTEU to 2,929 TTEU (prior year period: 2,861 TTEU), representing a rise of 2.4% in the first 3 months of 2019 compared to the first quarter of 2018.

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

Transport volume per trade [1]

TTEU	Q1 2019	Q1 2018
Atlantic	470	439
Transpacific	450	455
Far East	556	519
Middle East	351	362
Intra Asia	221	254
Latin America	677	663
EMAO (Europe – Mediterranean – Africa – Oceania)	204	169
Total	**2,929**	**2,861**

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

The Hapag-Lloyd Group's revenue rose by EUR 443.4 million to EUR 3,062.9 million in the first quarter of 2019 (prior year period: EUR 2,619.5 million), representing an increase of 16.9%. The main reasons for this were the increased transport volumes, the average freight rates and the strengthening of the US dollar. Adjusted for exchange rate movements, revenue would have risen by EUR 226.3 million (8.6%).

The EUR 55.5 million increase in revenues not assigned to trades was mainly due to higher revenues from the rent of container slots (slot charter).

Revenue per trade [1]

million EUR	Q1 2019	Q1 2018
Atlantic	559.1	461.6
Transpacific	530.4	462.8
Far East	455.4	378.7
Middle East	233.8	231.6
Intra Asia	102.6	108.0
Latin America	703.5	609.2
EMAO (Europe – Mediterranean – Africa – Oceania)	197.8	142.9
Revenue not assigned to trades	280.2	224.7
Total	**3,062.9**	**2,619.5**

[1] Due to an organisational change, the transport volumes to / from Djibouti, Sudan and Eritrea have been assigned to the EMAO trade since 1 January 2019. The previous year's values have been adjusted accordingly. As a result of the change in presentation of the consolidated income statement, revenue for Q1 2018 increased by EUR 2.8 million, from EUR 2,616.7 million to EUR 2,619.5 million.

Transport expenses rose by EUR 173.2 million in the first 3 months of the 2019 financial year to EUR 2,343.0 million (prior year period: EUR 2,169.8 million). This represents an increase of 8.0% that is due to the increased transport volume, a stronger US dollar and the higher bunker price.

At USD 1.14 / EUR, the average US dollar / euro exchange rate was 7.3% stronger than in the prior year period (USD 1.23 / EUR). The conversion of transport expenses from functional currency US dollar into the reporting currency resulted in an increase in transport expenses due to the strengthening of the US dollar in the first quarter 2019 compared to the prior year period.

The increase in bunker expenses of EUR 68.6 million (21.0%) to EUR 394.6 million primarily results from the significantly higher bunker price in the current reporting period. In the first 3 months of the 2019 financial year, the average bunker consumption price for Hapag-Lloyd was USD 425 per tonne, up USD 53 per tonne (14.2%) on the figure of USD 372 per tonne for the prior year period. Likewise, the stronger US dollar led to a rise in the bunker expenses reported in euros.

The first-time application of IFRS 16 “Leases” had a positive effect on the development of transport expenses in the first quarter of 2019. As a result of the application of the standard, expenses for leases which were previously classified as operating leases (essentially medium and long-term chartering for vessels and container rental) are no longer recognised within position transport expenses but rather as amortisation on right of use of leased assets in fixed assets and interest expenses for lease liabilities. As a result, the transport expenses recognised in the first quarter of 2019 decreased compared to first quarter of 2018 by the amount of the lease expenses previously reported under IAS 17. This was compensated by an increase in charter expenses due to higher volumes and prices as well as higher port- and canal costs in the first quarter of 2019 compared to the prior year period.

Personnel expenses rose by EUR 7.5 million (4.7%) to EUR 166.7 million in the first 3 months of 2019 (prior year period: EUR 159.2 million). In some cases, the strengthening of the US dollar against the euro caused expenses to increase.

Depreciation and amortisation came to EUR 275.6 million in the first 3 months of the 2019 financial year (prior year period: EUR 165.7 million). The year-on-year increase in depreciation and amortisation was primarily due to the effects of the first-time recognition of leased assets in accordance with IFRS 16. The amortisation of rights of use relating to leased and first-time recognised assets (essentially vessels, containers, buildings) led to additional amortisation of EUR 95.5 million (prior year period: EUR 0 million).

The other operating result came to total expenses of EUR 72.6 million (prior year period: total expenses of EUR 82.2 million) and contained the other operating expenses and income including mainly IT expenses (EUR 34.9 million), administration expenses (EUR 10.9 million) and consultancy fees (EUR 9.6 million).

Operating expenses[1]

million EUR	Q1 2019	Q1 2018
Transport expenses	**2,343.0**	**2,169.8**
thereof:		
Bunker	394.6	326.0
Handling & Haulage	1,192.3	1,111.4
Equipment and repositioning	284.8	291.1
Vessel & voyage (excluding bunker)	493.3	447.8
Pending Transport expenses	–22.1	–6.5
Personnel expenses	166.7	159.2
Depreciation, amortisation and impairments	275.6	165.7
Other operating result	–72.6	–82.2
Total operating expenses	**2,857.8**	**2,576.9**

1 As a result of the change in presentation of the consolidated income statement, the previous year's values have been adjusted.

In the reporting period earnings before interest and taxes (EBIT) amounted to EUR 213.7 million (including a positive effect from the first-time application of IFRS 16 in the amount of approximately EUR 4 million). They were therefore well above the corresponding figure in the prior year period (EUR 50.7 million). Earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at EUR 489.3 million in the first 3 months of the 2019 financial year (prior year period: EUR 216.4 million). This includes a positive effect from the first-time application of IFRS 16 in the amount of approximately EUR 100 million. The annualised return on invested capital (ROIC) for the first 3 months of 2019 amounted to 6.4% (prior year period: 1.6%). Basic earnings per share in the reporting period came to EUR 0.52 per share (prior year period: EUR –0.21 per share).

Earnings indicators[1]

million EUR	Q1 2019	Q1 2018
Revenue	3,062.9	2,619.5
EBIT	213.7	50.7
EBITDA	489.3	216.4
EBIT margin (%)	7.0	1.9
EBITDA margin (%)	16.0	8.3
Basic earnings per share (in EUR)	0.52	–0.21
Return on invested capital (ROIC) annualised (%)[2]	6.4	1.6

1 As a result of the change in presentation of the consolidated income statement, the previous year's values have been adjusted.
2 The calculation of the return on invested capital is based on the functional currency USD.

The interest result for the first 3 months of the 2019 financial year was EUR –106.2 million (prior year period: EUR –82.3 million). The increase in interest expenses compared to Q1 2018 was primarily due to the first-time application of IFRS 16. Here, the inclusion of interest expenses for the new lease liabilities which must now be included in accordance with IFRS 16 resulted in expenses of EUR 15.7 million in Q1 2019 (prior year period: EUR 0.0 million). As a result of the prepayment of the bond, repayment costs of EUR 5.7 million were also recognised in expenses. The generally higher interest rates level also had a negative effect on interest expenses. By contrast, the valuation of the embedded derivatives of the bonds resulted in income of EUR 8.6 million (prior year period: expenses of EUR 1.9 million), which had a positive impact on the interest result.

The Group profit came to EUR 96.2 million in the first 3 months of 2019 (prior year period: EUR –34.3 million).

Group financial position

Condensed statement of cash flows

million EUR	Q1 2019	Q1 2018
Cash flow from operating activities	536.2	253.8
Cash flow from investment activities	–135.6	–58.8
Free cash flow	**400.6**	**195.0**
Cash flow from financing activities	–495.8	–185.8
Changes in cash and cash equivalents	**–95.2**	**9.2**

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of EUR 536.2 million in the first 3 months of the 2019 financial year (prior year period: EUR 253.8 million). The increase in cash flow from operating activities was positively affected by the application of IFRS 16 in Q1 2019 as redemption payments and interests of the lease payments are disclosed as cash flow from financing activities instead of cash flow from operating activities according to IFRS 16.

Cash flow from investing activities

In the first quarter 2019 the cash outflow from investing activities totalled EUR 135.6 million (prior year period: EUR 58.8 million) and related to payments for investments of EUR 145.7 million (prior year period: EUR 78.4 million), primarily in containers and ship equipment. These included payments in the amounts of EUR 94.1 million for containers acquired in the prior year. This contrasted with cash inflows of EUR 9.8 million, which were primarily due to the sale of containers in the first quarter of 2019.

Cash flow from financing activities

Overall, there was a cash outflow from financing activities in the current reporting period in the amount of EUR 495.8 million (prior year period: EUR 185.8 million) which mainly comprised interest and redemption payments of EUR 682.0 million (prior year period: EUR 367.6 million). Interest and redemption payments in the first quarter 2019 include the partial repayment of the ABS program in the amount of EUR 176.2 million and for the first time repayments for lease liabilities in accordance with IFRS 16 in the amount of EUR 88.7 million. Hapag-Lloyd prepaid a bond before due date in the amount of EUR 170.0 million in the first quarter 2019. The cash outflows are contrasted by cash inflows totaling EUR 241.5 million (prior year period: EUR 153.7 million), which mainly arose from the financing of containers using Japanese Operating Leases (JOLs) in the amount of EUR 113.1 million, the increase in the ABS programme in the amount of EUR 88.1 million and the cash inflow from an unsecured term loan in the amount of EUR 39.9 million. There were also cash outflows from the realisation of derivative financial instruments used to hedge financial debt in the amount of EUR 52.2 million (prior year period: cash inflow of EUR 38.5 million).

Developments in cash and cash equivalents

million EUR	Q1 2019	Q1 2018
Cash and cash equivalents at beginning of period	**657.1**	**604.9**
Changes due to exchange rate fluctuations	11.8	–16.4
Net changes	–95.2	9.2
Cash and cash equivalents at end of period	**573.6**	**597.7**

Overall, cash outflow totalled EUR 95.2 million in the first 3 months of 2019. After accounting for exchange rate-related effects in the amount of EUR 11.8 million, cash and cash equivalents of EUR 573.6 million were reported at the end of the reporting period on 31 March 2019 (31 March 2018: EUR 597.7 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 in the amount of EUR 485.3 million (31 March 2018: EUR 401.7 million). The liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) therefore totalled EUR 1,058.9 million (31 March 2018: EUR 999.4 million). Cash and cash equivalents of EUR 6.4 million (31 March 2018: EUR 47.6 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 6,368.9 million as at 31 March 2019. This was a rise of EUR 1,014.5 million compared to net debt of EUR 5,354.4 million as at 31 December 2018.

The increase was essentially due to the application of the reporting standard IFRS 16 from 1 January 2019. The recognition of the lease liability associated with the first-time recognition of the rights of use relating to leases (primarily for medium and long-term chartering and containers) led to an increase of EUR 947.6 million in financial debt as at 1 January 2019. By contrast, redemption of existing short and long-term financial debts especially the early repayment of a bond in the amount of EUR 170.0 million had an offsetting effect.

The equity ratio decreased by 1.8 percentage points, from 40.9% as at 31 December 2018 to 39.1% which was mainly due to the first time adoption of IFRS 16 and the corresponding increase in financial debt. Gearing – the ratio of net debt to balance sheet equity – increased from 85.5% to 99.1% as a result.

Financial solidity

million EUR	31.3.2019	31.12.2018
Financial debt	6,949.0	6,017.9
Cash and cash equivalents	573.6	657.1
Restricted cash (other assets)	6.4	6.4
Net debt	**6,368.9**	**5,354.4**
Gearing (%)[1]	**99.1**	**85.5**
Unused credit lines	**485.3**	**475.9**
Equity ratio (%)	**39.1**	**40.9**

[1] Ratio net debt to equity

Restricted cash and cash equivalents in the amount of EUR 6.4 million (31 December 2018: EUR 6.4 million) remained unchanged and essentially comprise cash and cash equivalents which serve as collateral for existing financial debt.

Group net asset position

Changes in the asset structure

million EUR	31.3.2019	31.12.2018
Assets		
Non-current assets	13,954.5	12,845.0
of which fixed assets	13,898.8	12,789.8
Current assets	2,462.4	2,456.3
of which cash and cash equivalents	573.6	657.1
Total assets	**16,416.9**	**15,301.3**
Equity and liabilities		
Equity	6,425.0	6,259.3
Borrowed capital	9,991.9	9,042.0
of which non-current liabilities	6,137.1	5,665.3
of which current liabilities	3,854.8	3,376.7
of which financial debt	6,949.0	6,017.9
of which non-current financial debt	5,766.6	5,301.6
of which current financial debt	1,182.4	716.3
Total equity and liabilities	**16,416.9**	**15,301.3**
Net debt	6,368.9	5,354.4
Equity ratio (%)	39.1	40.9

As at 31 March 2019, the Group's balance sheet total was EUR 16,416.9 million, which is EUR 1,115.6 million higher than the figure at year-end 2018. The reasons for this change included exchange rate effects as at the reporting date due to the slightly stronger US dollar. The US dollar / euro exchange rate was quoted at 1.12 on 31 March 2019 (31 December 2018: 1.15). The main reason for the increase in the balance sheet total is the first-time application of IFRS 16 from 1 January 2019.

Within non-current assets, the carrying amounts of fixed assets increased by a total of EUR 1,109.0 million to EUR 13,898.8 million (31 December 2018: EUR 12,789.8 million). This rise was primarily due to the first-time application of IFRS 16 and the associated recognition of the right of use relating to lease contracts in the amount of EUR 858.2 million as at 1 January 2019 (31 December 2018: EUR 0.0 million). The increase also resulted from recognition of the right of use of leased assets for lease contracts closed within the first quarter 2019 of EUR 207.4 million as well as further investments totalling EUR 57.3 million relating primarily to containers and ship equipment. Exchange rate effects of EUR 259.2 million at the reporting date contributed to the increase in fixed assets.

Depreciation and amortisation of EUR 275.6 million in Q1 2019 had an opposite effect, including an amount of EUR 95.5 million for additional amortisations of the rights of use according to the newly implemented standard IFRS 16.

Cash and cash equivalents of EUR 573.6 million decreased by EUR 83.5 million compared to the end of 2018.

On the liabilities side, equity (including non-controlling interests) grew by EUR 165.7 million to a total of EUR 6,425.0 million. This increase is mainly due to the unrealised gains from foreign currency translation recognised in other comprehensive income amounting to EUR 118.8 million and also the Group profit of EUR 96.2 million. By contrast, the measurement of pension provisions through other comprehensive income in the amount of EUR 26.5 million and the adjustment of opening balance sheet values due to the first-time application of IFRS 16 as at 1 January 2019 in the amount of EUR 17.4 million had an offsetting effect. The equity ratio was 39.1% as at 31 March of the current year (31 December 2018: 40.9%).

The Group's borrowed capital has risen by EUR 949.9 million to EUR 9,991.9 million since the 2018 financial statements were prepared, which was mainly due to an increase in financial debt by EUR 931.1 million to EUR 6,949.0 million. The main reason for the increase in financial debt was the first-time application of IFRS 16, which led to the recognition of additional lease liabilities of EUR 947.6 million as at 1 January 2019. Cash inflows for new financings, recognition of financial debts for new lease obligations as well as exchange rate effects of EUR 113.9 million also caused borrowed capital to increase. Debt repayments totaling EUR 568.9 million including an early redemption of a bond in the amount of EUR 170 million reduced financial debt.

Taking cash and cash equivalents and financial debt into account, net debt as at 31 March 2019 was EUR 6,368.9 million (31 December 2018: EUR 5,354.4 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 condensed Notes to the consolidated financial statements.

Executive Board's statement on overall expected developments
Compared with the prior year period, the increased volumes and freight rates had a positive impact on the earnings position, as did the strengthening of the US dollar against the euro. The higher transport expenses which resulted from increased bunker prices in particular had the opposite effect. The development of earnings in the first 3 months of the 2019 financial year slightly exceeded the Executive Board's expectations at the start of the year. This was primarily due to the slight increase in freight rates, the fall in bunker prices compared with the second half of 2018 and the strengthening of the US dollar against the euro. The development of earnings in the 2019 financial year will continue to depend largely on the growth in transport volumes and the development of freight rates. There have been no significant changes in the general economic conditions compared with the Executive Board's expectations at the start of the year.

RISK AND OPPORTUNITY REPORT

Please refer to the 2018 annual report for details of significant opportunities and risks, an assessment of these and an evaluation of their probability of occurrence. The existing global macroeconomic uncertainties and ongoing stiff competition could have a significant negative impact on the development of transport volumes and freight rates again in 2019.

At the time of reporting on the first quarter of 2019, there were no risks which threatened the continued existence of the Hapag-Lloyd Group.

OUTLOOK

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

In its latest economic outlook (April 2019), the International Monetary Fund (IMF) expects global economic growth to reach 3.3% in the current year. As such, expected economic growth is down by 0.2 percentage points on the previous forecast (January 2019). The current forecast means that the global economy is expected to grow at a slightly slower rate in 2019 than in the previous year (+3.6%). According to the IMF, the volume of global trade, which is key to the demand for container shipping services, will increase by 3.4% in 2019 (2018: +3.8%). The institute has therefore cut its forecast from January 2019 substantially by 0.6 percentage points. The growth in global trade is therefore expected to increase in-line with the global economy in 2019. IHS Global Insight (January 2019) is forecasting that the global container shipping volume will increase by 4.7% to approximately 153 million TEU in 2019 (2018: 4.0%). As such, the expected rise in worldwide transport volumes in container shipping for 2019 would be in line with the rate of growth for global trade.

Following a rise in transport capacities (following scrapping and delays in deliveries) of approximately 1.2 million TEU to 22.0 million TEU in 2018, Drewry forecasts a nominal increase in transport capacities of up to approximately 0.7 million TEU for the current year. In relation to the total capacity of the global trading fleet, this represents an increase of around 3.2%. At the beginning of the year, Drewry expected an increase of approximately 0.5 million TEU. Although the rise is expected to be lower than in the previous year (5.8%), the delivery of large vessels for use on the Far East trade could also make it difficult to increase freight rates on this trade in 2019.

Hapag-Lloyd is anticipating a rise in the transport volume in 2019 as part of the general growth of the market. Based on this assumption, and combined with a smaller increase in the global transport capacity than in the previous year, Hapag-Lloyd's average freight rate in 2019 is likely to increase slightly compared with the previous year. Based on the development of the average bunker consumption price in the first quarter of 2019 and the current expectations for its development in the further course of the year, Hapag-Lloyd now expects the average bunker consumption price in 2019 to be slightly higher than in 2018 (previously: moderately higher average bunker consumption price).

Provided that Hapag-Lloyd achieves the expected freight rate, the anticipated improvement in revenue quality combined with the cost savings as part of Strategy 2023, and the expected growth in volumes, it is forecasting EBITDA of EUR 1.6 – 2.0 billion and EBIT of EUR 0.5 – 0.9 billion in 2019. This includes a currently anticipated earnings effect from the first-time application of IFRS 16 on EBITDA in the amount of EUR 370 – 470 million and on EBIT in the amount of EUR 10 – 50 million. The expected effects of the first-time application of IFRS 16 on the balance sheet as well as the income statement are described in detail on page 40 f. of the condensed Notes to the consolidated financial statements. Not accounted for here are impairments on goodwill, other intangible assets and property, plant and equipment, which, although not expected at present, cannot be ruled out given current geopolitical developments and other factors. The earnings forecast is based on the assumption of unchanged exchange rates.

Key benchmark figures for the 2019 outlook

Global economic growth (IMF)	3.3%
Increase in global trade (IMF)	3.4%
Increase in global container transport volume (IHS)	4.7%
Transport volume, Hapag-Lloyd Group	Slightly increasing
Average bunker consumption prices, Hapag-Lloyd Group	Slightly increasing
Average freight rate, Hapag-Lloyd Group	Slightly increasing
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	EUR 1.6 – 2.0 billion
Earnings before interest and taxes (EBIT)	EUR 0.5 – 0.9 billion

The forecast increase in the global container transport volume refers to data from the industry service IHS Global Insight from January 2019. Updated data have not yet been published. The benchmark figures for the 2019 outlook, which relate to transport volume, the average freight rate and the key performance indicators of EBITDA and EBIT, therefore remain unchanged on the forecast published in the 2018 annual report. The expectation for the development of average bunker consumption prices has been slightly adjusted as described above.

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 2018 annual report (page 100 ff.). Risks that may have an impact on the forecast for business development are also described in detail in the risk report. Significant risks for the Group's revenue and earnings development include in particular a slowdown in global economic and trade volume growth, a significant and lasting rise in bunker prices extending beyond the average bunker consumption price level in 2018, a sharp and persistent increase in the euro against the US dollar and a lasting reduction in the average freight rate. Additional risks could result from the consolidation of the industry and changes in the composition of global alliances.

The occurrence of one or more of these risks could have a substantial negative impact on the industry and, by extension, on the business development of Hapag-Lloyd in the remaining months of 2019, which could also lead to impairments on goodwill, other intangible assets and property, plant and equipment.

NOTE ON SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

The notes on relationships and transactions with related parties can be found in the disclosures on page 53 of the Notes to the condensed interim consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

of Hapag-Lloyd AG for the period 1 January to 31 March 2019[1]

million EUR	Q1 2019	Q1 2018
Revenue	3,062.9	2,619.5
Transport expenses	2,343.0	2,169.8
Personnel expenses	166.7	159.2
Depreciation, amortisation and impairment	275.6	165.7
Other operating result	–72.6	–82.2
Operating result	**205.1**	**42.6**
Share of profit of equity-accounted investees	8.5	8.0
Result from investments	0.1	–
Earnings before interest and taxes (EBIT)	**213.7**	**50.7**
Interest income and similar income	2.9	6.4
Interest expenses and similar expenses	109.1	88.7
Other financial items	0.2	3.1
Earnings before taxes	**107.7**	**–28.6**
Income taxes	11.4	5.7
Group profit / loss	**96.2**	**–34.3**
thereof attributable to shareholders of Hapag-Lloyd AG	91.6	–37.6
thereof attributable to non-controlling interests	4.6	3.3
Basic / diluted earnings per share (in EUR)	**0.52**	**–0.21**

[1] Due to the adjustment of the structure of the consolidated income statement, the items in the consolidated income statement have changed. The comparability of the previous year's values are thus limited. For better comparability with the current reporting period, the previous year's values have been adjusted (see also "Change of presentation in the consolidated income statement").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of Hapag-Lloyd AG for the period 1 January to 31 March 2019

million EUR	Q1 2019	Q1 2018
Group profit / loss	**96.2**	**–34.3**
Items which will not be reclassified to profit and loss:		
Remeasurements from defined benefit plans after tax	–26.5	4.0
Remeasurements from defined benefit plans before tax	–26.6	4.5
Tax effect	0.1	–0.5
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)	1.0	–3.7
Effective share of the changes in fair value	1.1	–3.7
Currency translation differences	–0.1	–
Currency translation differences (no tax effect)	118.8	–158.5
Items which may be reclassified to profit and loss:		
Cash flow hedges (no tax effect)	–5.8	2.9
Effective share of the changes in fair value	–25.5	29.6
Reclassification to profit or loss	19.7	–26.6
Currency translation differences	–0.1	–0.1
Cost of Hedging (no tax effect)	–0.3	1.3
Effective share of the changes in fair value	–8.3	–4.7
Reclassification to profit or loss	8.0	6.0
Currency translation differences	–	–
Other comprehensive income after tax	**87.2**	**–155.5**
Total comprehensive income	**183.4**	**–189.8**
thereof attributable to shareholders of Hapag-Lloyd AG	178.6	–192.8
thereof attributable to non-controlling interests	4.9	3.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of Hapag-Lloyd AG as at 31 March 2019

Assets

million EUR	31.3.2019	31.12.2018
Goodwill	1,599.6	1,568.8
Other intangible assets	1,784.7	1,773.2
Property, plant and equipment	10,178.0	9,119.7
Investments in equity-accounted investees	336.5	328.1
Other assets	9.4	10.5
Derivative financial instruments	10.1	4.5
Income tax receivables	–	4.2
Deferred tax assets	36.2	36.0
Non-current assets	**13,954.5**	**12,845.0**
Inventories	257.3	238.1
Trade accounts receivable	1,253.2	1,217.7
Other assets	340.8	300.8
Derivative financial instruments	6.7	3.6
Income tax receivables	30.9	39.0
Cash and cash equivalents	573.6	657.1
Current assets	**2,462.4**	**2,456.3**
Total assets	**16,416.9**	**15,301.3**

Equity and liabilities

million EUR	31.3.2019	31.12.2018
Subscribed capital	175.8	175.8
Capital reserves	2,637.4	2,637.4
Retained earnings	3,190.6	3,117.4
Cumulative other equity	408.0	318.1
Equity attributable to shareholders of Hapag-Lloyd AG	**6,411.8**	**6,248.7**
Non-controlling interests	13.2	10.6
Equity	**6,425.0**	**6,259.3**
Provisions for pensions and similar obligations	291.0	265.2
Other provisions	52.0	75.6
Financial debt	5,766.6	5,301.6
Other liabilities	6.0	9.1
Derivative financial instruments	15.5	8.5
Deferred tax liabilities	6.1	5.3
Non-current liabilities	**6,137.1**	**5,665.3**
Provisions for pensions and similar obligations	11.3	8.3
Other provisions	354.7	343.5
Income tax liabilities	49.6	52.3
Financial debt	1,182.4	716.3
Trade accounts payable	1,789.4	1,774.1
Contract liabilities	287.5	260.3
Other liabilities	139.8	157.9
Derivative financial instruments	40.1	64.0
Current liabilities	**3,854.8**	**3,376.7**
Total equity and liabilities	**16,416.9**	**15,301.3**

CONSOLIDATED STATEMENT OF CASH FLOWS

of Hapag-Lloyd AG for the period 1 January to 31 March 2019

million EUR	Q1 2019	Q1 2018 [1]
Group profit / loss	96.2	–34.3
Income tax expenses (+) / income (–)	11.4	5.7
Other financial Items	–0.2	–3.1
Interest result	106.2	82.3
Depreciation, amortisation and impairment (+) / write-backs (–)	275.6	165.7
Profit (–) / loss (+) from disposals of non-current assets and assets held for sale	–4.2	–1.0
Income (–) / expenses (+) from equity accounted investees and dividends from other investments	–8.5	–8.0
Other non-cash expenses (+) / income (-)	–1.0	1.7
Increase (–) / decrease (+) in inventories	–14.4	–23.1
Increase (–) / decrease (+) in receivables and other assets	–31.1	–34.0
Increase (+) / decrease (–) in provisions	13.3	23.3
Increase (+) / decrease (–) in liabilities (excl. financial debt)	97.3	82.4
Payments received from (+) / made for (–) income taxes	–5.7	–5.2
Payments received for interest	1.2	1.4
Cash inflow (+) / outflow (–) from operating activities	**536.2**	**253.8**
Payments received from disposals of property, plant and equipment and intangible assets	9.8	4.7
Payments received from dividends	0.2	0.2
Payments received from the disposal of assets held for sale	–	14.6
Payments made for investments in property, plant and equipment and intangible assets	–145.7	–78.3
Cash inflow (+) / outflow (–) from investing activities	**–135.6**	**–58.8**

[1] Due to the new structure of the consolidated income statement (see chapter “Change of presentation in the consolidated income statement”) the previous year’s values in the consolidated statement of cash flows for other financial items have been adjusted from the previous EUR 0.0 million by EUR –3.1 million and other non-cash expenses (+) / income (-) from the previous EUR 44.0 million by EUR –42.3 million. The item profit (-) / loss (+) from hedging transactions for financial debt is no longer presented (previously EUR –45.4 million) as it is now included in position other financial items.

million EUR	Q1 2019	Q1 2018
Payments made for capital increases	–	–1.9
Payments made for dividends	–3.3	–8.4
Payments received from raising financial debt	241.5	153.7
Payments made for the redemption of financial debt [2]	–568.9	–284.9
Payments made for interest and fees	–113.1	–82.7
Payments received (+) and made (–) from hedges for financial debt	–52.2	38.5
Change in restricted cash	0.1	–0.1
Cash inflow (+) / outflow (–) from financing activities	**–495.8**	**–185.8**
Net change in cash and cash equivalents	**–95.2**	**9.2**
Cash and cash equivalents at beginning of period	**657.1**	**604.9**
Change in cash and cash equivalents due to exchange rate fluctuations	11.8	–16.4
Net change in cash and cash equivalents	–95.2	9.2
Cash and cash equivalents at end of period	**573.6**	**597.7**

[2] The position includes EUR 96.4 million payments made for the redemption of liabilities from lease contracts in Q1 2019 (prior year period: EUR 6.9 million).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of Hapag-Lloyd AG for the period 1 January to 31 March 2019

	Equity attributable to shareholders			
million EUR	Subscribed capital	Capital reserves	Retained earnings	Remeasurements from defined benefit plans
As at 1.1.2018	**175.8**	**2,637.4**	**3,174.9**	**–118.8**
Effect from the initial application of IFRS 9	–	–	10.3	–
Restated 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**
As at 1.1.2019	**175.8**	**2,637.4**	**3,117.4**	**–112.6**
Effect from the initial application of IFRS 16	–	–	–17.4	–
Adjusted as at 1.1.2019	**175.8**	**2,637.4**	**3,100.0**	**–112.6**
Total comprehensive income	**–**	**–**	**91.6**	**–26.5**
thereof				
Group profit/loss	–	–	91.6	–
Other comprehensive income	–	–	–	–26.5
Hedging gains and losses transferred to the cost of inventory	**–**	**–**	**–**	**–**
Transactions with shareholders	**–**	**–**	**–1.0**	**–**
thereof				
Distribution to non-controlling interests	–	–	–1.0	–
As at 31.3.2019	**175.8**	**2,637.4**	**3,190.6**	**–139.0**

of Hapag-Lloyd AG							
Reserve of 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
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**
–0.8	**–7.7**	**439.7**	**–0.5**	**318.1**	**6,248.7**	**10.6**	**6,259.3**
–	–	–	–	–	–17.4	–	–17.4
–0.8	**–7.7**	**439.7**	**–0.5**	**318.1**	**6,231.3**	**10.6**	**6,241.9**
–5.8	**0.6**	**118.6**	**–**	**86.9**	**178.6**	**4.9**	**183.4**
–	–	–	–	–	91.6	4.6	96.2
–5.8	0.6	118.6	–	86.9	86.9	0.2	87.2
–	**3.0**	**–**	**–**	**3.0**	**3.0**	**–**	**3.0**
–	**–**	**–**	**–**	**–**	**–1.0**	**–2.2**	**–3.3**
–	–	–	–	–	–1.0	–2.2	–3.3
–6.6	**–4.1**	**558.3**	**–0.5**	**408.0**	**6,411.8**	**13.2**	**6,425.0**

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 2019 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. In individual cases, rounding differences may occur in the tables and charts of this interim consolidated financial statements for computational reasons.

On 8 May 2019, 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 2019 was prepared in compliance with the provisions of IAS 34. It is presented in condensed form. These condensed interim consolidated financial statements and 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 2019 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 2018, which remain valid and have not changed. The interim consolidated financial statements as at 31 March 2019 are to be read in conjunction with the audited and published IFRS consolidated financial statements as at 31 December 2018. With the exception of the changes outlined in the “New accounting standards” section, 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 2018. Estimates and discretionary decisions were made in the same manner as in the previous year with the exception of new discretionary decisions outlined in the “New accounting standards” section in connection with IFRS 16. 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 2019, the closing US dollar / euro exchange rate was quoted as USD 1.1231 / EUR (31 December 2018: USD 1.1451 / EUR). For the first quarter of 2019, the average US dollar / euro exchange rate was USD 1.1354 / EUR (prior year period: USD 1.2295 / EUR).

New accounting standards

The following describes the significant changes for the Hapag-Lloyd Group resulting from the first-time application of standard IFRS 16 in the 2019 financial year.

The remaining standards, which are to be applied for the first time in the 2019 financial year, have no significant impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

IFRS 16 Leases

i. General

IFRS 16 Leases was published by the IASB in January 2016 and adopted by the EU into European law on 31 October 2017. Application of IFRS 16 has been mandatory since 1 January 2019. For companies that report in accordance with IFRS as applicable in the EU, IFRS 16 establishes the recognition, measurement, presentation and disclosure requirements of leases. IFRS 16 replaces IAS 17 Leases as well as the associated interpretations IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 comprises different regulations for lessees and lessors. For lessees, the standard provides a single accounting model. Differentiation between finance leases and operating leases is no longer required. With regard to leases, rights of use for the leased object and the corresponding lease liabilities that represent the payment obligation will in future be recognised in the statement of financial position. Lessors will continue to differentiate between finance leases and operating leases for accounting purposes. The accounting model of IFRS 16 does not differ significantly from that of IAS 17 in this regard.

Hapag-Lloyd applies the modified retrospective approach as defined by IFRS 16.C5(b) as at 1 January 2019. For this reason, the cumulative effect of applying IFRS 16 is recognised as an adjustment to the opening values for retained earnings as at 1 January 2019. No adjustments were made to the comparable information for 2018. The previous year's figures are presented in accordance with IAS 17 and the aforementioned interpretations.

The new regulations affect Hapag-Lloyd's recognition and measurement of rented and leased objects which were previously classified as operating leases. This relates to the following asset classes:

- (1) rented container vessels,
- (2) rented containers,
- (3) rented office buildings, office space and parking spaces,
- (4) leased vehicles and
- (5) other rented business equipment.

As with the Group's own assets, the rights of use for the above asset classes are recognised in the statement of financial position under property, plant and equipment. The corresponding lease liabilities form part of financial debt.

ii. Main accounting principles

Hapag-Lloyd uses the simplification rule to retain the definition of a lease in the changeover to IFRS 16. The Group therefore applies IFRS 16 at the point of first-time application to the agreements which were previously classified as leases using IAS 17 and IFRIC 4. The definition of a lease under IFRS 16 is applied to agreements which were concluded or changed on or after 1 January 2019.

The single accounting model pursuant to IFRS 16 requires that all assets and liabilities relating to leases be recognised in the statement of financial position unless (in each case an option) (1) the lease term is 12 months or less or (2) the underlying asset is of low value. If the lessee makes use of one of the two simplifications outlined above, the presentation in the balance sheet is the same as with the previous operating leases.

Hapag-Lloyd recognises a right of use asset reported under property, plant and equipment and a lease liability reported under financial debt in the statement of financial position at the point when the leased object is made available. At the beginning, the right of use is measured at cost of acquisition. The subsequent measurement occurs at cost of acquisition less cumulative depreciation, impairment and certain remeasurements of the lease liability due to modifications. The lease liability is measured at the beginning at the fair value of the future lease payments. The lease payments are discounted using the interest rate implicitly specified in the leases or the incremental interest rate.

Hapag-Lloyd takes account of unilateral and bilateral rights of termination in the agreements examined in accordance with IFRS 16. In the case of unilateral rights of termination which may exist for Hapag-Lloyd, particularly for container vessel agreements and rented office buildings, office space and parking spaces, the probability of exercising the existing option is assessed while taking account of economic factors and on an individual basis in order to determine the term of the agreement. Bilateral rights of termination essentially exist for a large number of container leases.

These rights of termination can be exercised by both parties on a flexible and independent basis. When determining the term of these container leases for accounting purposes, Hapag-Lloyd must assess in accordance with IFRS 16.B34 whether significant penalties may be incurred when containers are returned or if these container leases are terminated. Hapag-Lloyd also assesses possible economic disadvantages in this regard. If Hapag-Lloyd also believes from an economic perspective that termination of these agreements will not result in any significant disadvantages, the term of the agreement is determined while taking account of the termination notice period in the respective agreement and a possible transition period in accordance with IFRS 16. If Hapag-Lloyd believes that there are significant disadvantages, this is taken into account when assessing the term of the agreement. This assessment will affect the amount of the lease liabilities and the right of use assets significantly.

For lease agreements which include a lease, Hapag-Lloyd separates a lease component and non-lease component and allocates the contractual consideration of each lease and non-lease component based on their relative stand-alone price. Hapag-Lloyd does not make use of the practical expedient that removes the obligation to separate the lease and non-lease component.

iii. Transition date

As lessee, Hapag-Lloyd recognises a lease liability for leases in all asset classes which were previously classified as operating leases under IAS 17 and for which it did not make use of any practical expedient at the point of first-time application. This lease liability is measured at the fair value of the remaining lease payments and discounted using the incremental borrowing rate as at 1 January 2019. As lessee, Hapag-Lloyd also recognises a right of use for leases in all asset classes which were previously classified as operating leases under IAS 17.

As a rule, Hapag-Lloyd measures the right of use from the lease liability individually and in the asset classes (1), (2), (3) and (4) at the amount of the lease liability which has been adjusted by the amount of the lease payments paid in advance or deferred, which in turn were recognised in the consolidated statement of financial position as at 31 December 2018. For asset classes (1) and (2), Hapag-Lloyd uses the carrying amount in certain cases to measure the right of use as if the standard had already been applied since the date of transition and this amount discounted using the incremental borrowing rate at the point of first-time application. At this stage, there is a cumulative effect of applying the new standard for the first time, which is offset against retained earnings directly in equity at the point of first-time application.

On the transition date as at 1 January 2019, Hapag-Lloyd also made use of the following practical expedients:

Hapag-Lloyd applies IFRS 16 to a portfolio of similarly structured container leases.

At the point of first-time application, Hapag-Lloyd applies a discount rate which is dependent on the asset class, term and securitisation to a portfolio of similarly structured leases. The discount rate corresponds to the incremental borrowing rate applicable to the five defined asset classes at the transition point. In addition to the rented container vessels, which are essentially combined according to a similar remaining term, this assumption affects the container leases which are combined according to container type and remaining term and the rented office buildings, office space and parking spaces as well as the leased vehicles.

Hapag-Lloyd makes use of the practical expedient in the case of leases which are onerous agreements pursuant to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and adjusts the right of use as at 1 January 2019 by the amount which was recognised as a provision for onerous agreements in the statement of financial position as at 31 December 2018.

At the point of first-time acquisition, Hapag-Lloyd treats leases for all asset classes whose term ends within 12 months of 1 January 2019 as short-term leases pursuant to IFRS 16. The corresponding expenses, which essentially result from container vessel agreements expiring in 2019, are reported in the disclosures for the expenses for short-term leases for the 2019 financial year.

Initial direct costs were not taken into account at the point of first-time application when calculating the amount of the right of use.

There are no material effects on the Hapag-Lloyd Group's existing finance leases. As lessee, Hapag-Lloyd recognises as at 1 January 2019 the carrying amount of the right of use and of the lease liability for leases which were previously classified as finance leases under IAS 17 at the amount of the carrying amount which results from measuring the leased asset and the lease liability pursuant to IAS 17 as at 31 December 2018. From 1 January 2019, IFRS 16 is applied to these leases.

Adjustments were made to all finance agreements that contain lending conditions with regards to the required minimum equity ratio at Group level (financial covenant). The Group does not expect that the application of IFRS 16 will have any effect on its ability to meet the lending conditions of the required minimum equity ratio at Group level.

iv. Hapag-Lloyd as lessor

Since Hapag-Lloyd only operates as a lessor to a limited extent, IFRS 16 is not expected to have any significant effects on the Group's net asset, financial and earnings position.

v. Effect of first-time application of IFRS 16

The changes to the accounting method affect the following balance sheet items as at 1 January 2019 as follows:

million EUR	1.1.2019
Right of use assets reported under property, plant and equipment	858.2
Revaluation reserve recognised in cumulative other equity	–17.4
Liabilities from lease contracts reported under financial debt	947.6
Other liabilities	–41.2
Other provisions	–30.7

The reported rights of use assets and lease liabilities do not include any assets and liabilities that were accounted for under finance leases in accordance with IAS 17 until 31 December 2018. The finance leases accounted for in accordance with IAS 17 until 31 December 2018 resulted in carrying amounts of EUR 172.1 million for right of use assets and EUR 99.0 million for lease liabilities as at 1 January 2019.

Based on the operating lease requirements as at 31 December 2018, the following reconciliation with the opening value for lease liabilities existed as at 1 January 2019:

million EUR	1.1.2019
Obligations from operating leases reported as at 31 December 2018 (undiscounted)	**1,102.9**
Discounting	–149.5
Obligations from operating leases reported as at 31 December 2018 (discounted)	**953.4**
Plus liabilities from finance leases recognized as at 31 December 2018	99.0
(less) leases in accordance with IFRS 16.4 for other intangible assets	–157.0
(less) short-term leases recognised as an expense on a straight-line basis	–146.1
(less) contracts reassessed as service contracts	–126.8
(less) leases of low-value assets recognised as an expense on a straight-line basis	–0.3
Plus terminable operating leases	291.4
Plus adjustments due to different estimates of contract options	100.2
Plus other adjustments	32.8
Lease liabilities recognized as at 1 January 2019	**1,046.6**

The lease liabilities were discounted using the incremental borrowing rate as at 1 January 2019. The weighted average interest rate was 6.0%.

For the first quarter of 2019 respective as at 31 March 2019, the figures were presented in the consolidated statement of financial position and the consolidated income statement as follows:

Leases in the consolidated statement of financial position

million EUR	31.3.2019
Right of use assets reported under property, plant and equipment	1,158.1
Liabilities from lease contracts reported under financial debt	1,178.6

Leases in the consolidated income statement

million EUR	31.3.2019
Depreciation of right of use assets	100.9
Interest expenses from lease liabilities	17.3

The rights of use and lease liabilities reported as at 31 March 2019 and the depreciation and interest expenses reported for the first quarter of 2019 relate both to the former finance lease agreements and the operating lease agreements to be taken into account since 1 January 2019. A distinction between finance and operating leases will no longer be made in the future.

Change of presentation in the consolidated income statement

Hapag-Lloyd modified the structure of the consolidated income statement at the start of the 2019 financial year. Up until then, the structure was based on the principal types of expense, whereby the measurement effects from currency fluctuations were recognised in the respective income statement item. The new structure is based on a separate presentation of the individual components of service provision in the Hapag-Lloyd Group and separates operating effects from measurement effects. The purpose of the change is to provide a more detailed information basis and to increase harmonisation between the externally communicated income statement structure and internal management reporting. The modifications undertaken result from the following table:

	Consolidated income statement before adjustments	Adjustments		
million EUR	1.1.2018 – 31.3.2018	Reclassification foreign exchange rate effects	Reclassification Subsidies US-Flag	Reclassification commissions
Revenue	2,616.7	–1.6	–	–
Other operating income	35.8	–	–4.8	–
Transport expenses	–2,153.6	12.4	–	–20.2
Personnel expenses	–167.5	3.3	4.8	–
Depreciation, amortisation and impairment	–165.7	–	–	–
Other operating expenses	–120.0	–	–	20.2
	–	–14.2	–	–
Operating result	**45.7**	**–**	**–**	**–**
Share of profit of equity-accounted investees	8.0	–	–	–
Other financial result	–	–	–	–
Earnings before interest and taxes (EBIT)	**53.7**	**–**	**–**	**–**
Interest income	6.4	–	–	–
Interest expenses	–88.7	–	–	–
	–	–	–	–
Earnings before taxes	**–28.6**	**–**	**–**	**–**
Income taxes	–5.7	–	–	–
Group profit / loss	**–34.3**	**–**	**–**	**–**

[1] The other reclassifications essentially relate to cost reimbursements.

[2] The position other financial items includes realised and unrealised exchange rate effects from the currency translation of financial debt including relating hedge effects as well as fair value changes from financial instruments.

Adjustments					Consolidated income statement after adjustments
Reclassification non-deductible indirect tax	Reclassification exchange rate gains / losses of financing	Merge of other operating income / expenses	Reclassification Others [1]		1.1.2018 – 31.3.2018
–	–	–	4.4	Revenue	2,619.5
–	–3.9	–27.0	–		–
–2.8	–	–	–5.7	Transport expenses	–2,169.8
–	–	–	0.2	Personnel expenses	–159.2
–	–	–	–	Depreciation, amortisation and impairment	–165.7
2.8	0.8	96.2	–		–
–	–	–69.2	1.1	Other operating result (OOR)	–82.2
–	**–3.1**	**–**	**–**	**Operating result**	**42.6**
–	–	–	–	Share of profit of equity-accounted investees	8.0
–	–	–	–	Result from investments	–
–	**–3.1**	**–**	**–**	**Earnings before interest and taxes (EBIT)**	**50.7**
–	–	–	–	Interest income and similar income	6.4
–	–	–	–	Interest expenses and similar expenses	–88.7
–	3.1	–	–	Other financial items [2]	3.1
–	**–**	**–**	**–**	**Earnings before taxes**	**–28.6**
–	–	–	–	Income taxes	–5.7
–	**–**	**–**	**–**	**Group profit / loss**	**–34.3**

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 145 fully consolidated companies and 6 equity-accounted investees as at 31 March 2019 and was therefore the same as at year-end 2018.

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 vessels 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[1]

TTEU	Q1 2019	Q1 2018
Atlantic	470	439
Transpacific	450	455
Far East	556	519
Middle East	351	362
Intra-Asia	221	254
Latin America	677	663
EMAO (Europe – Mediterranean – Africa – Oceania)	204	169
Total	**2,929**	**2,861**

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

Freight rates per trade[1]

USD/TEU	Q1 2019	Q1 2018
Atlantic	1,351	1,293
Transpacific	1,338	1,250
Far East	930	897
Middle East	757	787
Intra-Asia	528	522
Latin America	1,181	1,130
EMAO (Europe – Mediterranean – Africa – Oceania)	1,099	1,041
Total (weighted average)	**1,079**	**1,029**

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

Revenue per trade[1]

million EUR	Q1 2019	Q1 2018
Atlantic	559.1	461.6
Transpacific	530.4	462.8
Far East	455.4	378.7
Middle East	233.8	231.6
Intra-Asia	102.6	108.0
Latin America	703.5	609.2
EMAO (Europe – Mediterranean – Africa – Oceania)	197.8	142.9
Revenue not assigned to trades	280.2	224.7
Total	**3,062.9**	**2,619.5**

1 Due to an organisational change, the transport volumes to/from Djibouti, Sudan and Eritrea have been assigned to the EMAO trade since 1 January 2019. The previous year's values have been adjusted accordingly. As a result of the change in presentation of the consolidated income statement, revenue for Q1 2018 increased by EUR 2.8 million, from EUR 2,616.7 million to EUR 2,619.5 million.

Revenue not allocable to the trades essentially comprises income from demurrage and detention and income from charter rent and compensation payments for ship space.

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 2019	Q1 2018
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**489.3**	**216.4**
Depreciation, amortisation and impairment	275.6	165.7
Earnings before interest and taxes (EBIT)	**213.7**	**50.7**
Earnings before taxes (EBT)	**107.7**	**–28.6**
Share of profit of equity-accounted investees	**8.5**	**8.0**

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENTS

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

Earnings per share

	Q1 2019	Q1 2018
Profit / loss attributable to shareholders of Hapag-Lloyd AG in million EUR	91.6	–37.6
Weighted average number of shares in million	175.8	175.8
Basic earnings per share in EUR	**0.52**	**–0.21**

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.

There were no dilutive effects in the first quarter of 2019 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 increased by EUR 65.3 million compared with 31 December 2018 due to currency translation effects. The amortisation of other intangible assets of EUR 24.7 million had an opposite effect.

Property, plant and equipment

million EUR	31.3.2019	31.12.2018
Vessels [1]	7,713.8	7,141.4
Container [1]	2,225.3	1,834.8
Other equipment [1]	222.6	137.1
Prepayments on account and assets under construction	16.3	6.4
Total	**10,178.0**	**9,119.7**

[1] Including right of use

In the reporting period, property, plant and equipment increased primarily due to the first-time recognition of rights of use in accordance with IFRS 16 at the beginning of the year. In addition, rights of use amounting to 207.4 EUR were received in the first 3 months of the financial year. The carrying amounts as at 31 March 2019 were reduced by depreciation to property, plant and equipment and to rights of use in the amount of EUR 250.9 million and currency effects of EUR 193.8 million.

Cash and cash equivalents

million EUR	31.3.2019	31.12.2018
Cash at bank	554.5	638.3
Cash in hand and cheques	19.1	18.8
Total	**573.6**	**657.1**

As at 31 March 2019, a sum totalling EUR 17.0 million with a term of up to 3 months was deposited in pledged accounts (31 December 2018: EUR 11.1 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 5.4 million (31 December 2018: EUR 4.4 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 2019: EUR –139.0 million; 31 December 2018: EUR –112.6 million) contains 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 2019 resulted in a decrease of EUR –26.5 million in the reserve (prior year period: increase of EUR 4.0 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 –6.6 million as at 31 March 2019 (31 December 2018: EUR –0.8 million). In the first quarter of 2019, the resulting gains and losses totalling EUR –25.5 million were recognised in other comprehensive income as an effective part of the hedging relationship (prior year period: EUR 28.3 million), while gains and losses of EUR 19.7 million (prior year period: EUR –26.6 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 –4.1 million as at 31 March 2019 (31 December 2018: EUR –7.7 million). In the first quarter of 2019, the resulting gains and losses totalling EUR –7.2 million were recognised in other comprehensive income (previous year: EUR –8.4 million), while gains and losses of EUR 8.0 million (previous year: EUR 6.0 million) were reclassified and recognised through profit or loss.

The translation reserve of EUR 558.3 million (31 December 2018: EUR 439.7 million) includes all differences from currency translation. The differences from currency translation of EUR 118.8 million recognised in other comprehensive income in the first quarter of 2019 (prior year period: EUR –158.5 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 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 subsequently recognised through profit or loss in the interest result. As at 31 March 2019, the reserve for put options on non-controlling interests amounted to EUR –0.5 million and was therefore the same as at year-end 2018.

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 6.1 million in place as at 31 December 2018 was utilised in the amount of EUR 1.1 million in the first quarter of 2019.

Financial instruments

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

	Carrying amount		Fair value
million EUR	**Total**	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	1,217.7	1,217.7	1,217.7
Other assets	311.3	230.6	230.6
Derivative financial instruments (FVTPL)	3.7	3.7	3.7
Embedded derivatives	3.7	3.7	3.7
Derivative financial instruments (Hedge accounting)[1]	4.4	4.4	4.4
Currency forward contracts	0.2	0.2	0.2
Commodity options	3.4	3.4	3.4
Interest rate swaps	0.8	0.8	0.8
Cash and cash equivalents	657.1	657.1	657.1
Liabilities			
Financial debt	5,918.8	5,918.8	5,925.8
Liabilities from finance leases[2]	99.1	99.1	103.2
Trade accounts payable	1,774.1	1,774.1	1,774.1
Derivative financial instruments (FVTPL)	2.4	2.4	2.4
Interest rate swaps	2.4	2.4	2.4
Derivative financial liabilities (Hedge accounting)[1]	70.1	70.1	70.1
Currency forward contracts	63.7	63.7	63.7
Interest rate swaps	6.4	6.4	6.4
Other liabilities	165.3	99.4	99.4
Liabilities from put options[3]	1.7	1.7	1.8
Contract liabilities	260.3	–	–

[1] The market values of the non-designated time values and forward components, the changes of which are recognised in the reserve for costs of hedging, are also recognised here.

[2] Part of financial debt

[3] Part of other liabilities

The carrying amounts and fair values of the financial instruments as at 31 March 2019 are presented in the table below.

	Carrying amount		Fair value
million EUR	**Total**	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	1,253.2	1,253.2	1,253.2
Other assets	350.2	256.3	256.3
Derivative financial instruments (FVTPL)	10.0	10.0	10.0
Embedded derivatives	10.0	10.0	10.0
Derivative financial instruments (Hedge accounting)[1]	6.8	6.8	6.8
Currency forward contracts	–	–	–
Commodity options	6.6	6.6	6.6
Interest rate swaps	0.1	0.1	0.1
Cash and cash equivalents	573.6	573.6	573.6
Liabilities			
Financial debt	5,770.4	5,770.4	5,829.1
Liabilities from lease contracts[2]	1,178.6	1,178.6	–
Trade accounts payable	1,789.4	1,789.4	1,789.4
Derivative financial instruments (FVTPL)	4.7	4.7	4.7
Interest rate swaps	4.7	4.7	4.7
Derivative financial liabilities (Hedge accounting)[1]	50.9	50.9	50.9
Currency forward contracts	40.0	40.0	40.0
Interest rate swaps	10.9	10.9	10.9
Other liabilities	144.0	113.9	113.9
Liabilities from put options[3]	1.8	1.8	1.8
Contract liabilities	287.5	–	–

1 The market values of the non-designated time values and forward components, the changes of which are recognised in the reserve for costs of hedging, are also recognised here.

2 Part of financial debt

3 Part of other liabilities

The derivative financial instruments were measured at fair value.

Other assets include securities with a fair value of EUR 2.2 million (31 December 2018: EUR 2.2 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 850.9 million (31 December 2018: EUR 909.9 million).

Financial debt also includes a liability to reflect a contingent consideration payable for a business combination for which a fair value at level 3 of EUR 0.9 million was calculated.

The put options recognised under other liabilities, whose fair value was calculated at EUR 1.8 million, also belong to level 3 of the fair value hierarchy.

The fair values indicated for the remaining financial debt and the derivative financial instruments 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.

As a rule, 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 3 months of 2019.

Financial debt

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

Financial debt

million EUR	31.3.2019	31.12.2018
Liabilities to banks [1]	4,529.2	4,483.5
Bonds	735.8	923.7
Liabilities from lease contracts	1,178.6	99.0
Other financial debt	505.4	511.7
Total	**6,949.0**	**6,017.9**

[1] This includes liabilities which result from sale and leaseback transactions that are accounted for as loan financings in accordance with IFRS 16 in conjunction with IFRS 15 (up to 31 December 2018 in accordance with SIC-27), as the liabilities are against special purpose entities, which are established and financed by banks.

Financial debt by currency

million EUR	31.3.2019	31.12.2018
Financial debt denoted in USD (excl. transaction costs)	5,746.4	4,714.6
Financial debt denoted in EUR (excl. transaction costs)	988.9	1,118.2
Financial debt denoted in SAR (excl. transaction costs)	192.8	194.1
Financial debt denoted in other currencies (excl. transaction costs)	42.5	–
Interest liabilities	37.5	49.8
Transaction costs	–59.1	–58.8
Total	**6,949.0**	**6,017.9**

On 31 January 2019, the Executive Board of Hapag-Lloyd AG decided to conduct an early partial repayment of EUR 170 million of its bond due in 2022. The partial repayment occurred on 11 February 2019 at a repayment rate of 103.375%. The bond was issued in February 2017 with a nominal value of EUR 450 million and a coupon of 6.75%.

In the first quarter of the year, Hapag-Lloyd conducted 3 container sale and leaseback transactions to refinance investments in reefer and standard containers (Japanese operating leases [JOLs]). The lease agreements include substantial purchase options that entitle Hapag-Lloyd to repurchase the containers after 7 years. As a result, the transactions are recognised as loan financing in accordance with the provisions of IFRS 16 in conjunction with IFRS 15. The financing volume has a total amount of EUR 113.3 million.

The Hapag-Lloyd Group had total available credit facilities of EUR 485.3 million as at 31 March 2019 (31 December 2018: EUR 475.9 million).

OTHER NOTES

Legal disputes

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

Besides there have been no significant changes regarding legal disputes in comparison with the 2018 consolidated financial statements.

As at the reporting date, there was EUR 104.1 million in contingent liabilities from tax risks not classified as probable (31 December 2018: EUR 107.2 million).

In January 2019, a fire occurred on the Yantian Express. Potential loss from damages on ships, cargo and equipment as well as the rescue cost are either covered by insurance or eligible in the "General average" procedure. At the date of publication the amounts cannot yet be calculated definitively.

Other financial obligations

The Group's other financial obligations as of 31 March 2019 essentially relate to purchase obligations

- for investments in containers amounting to EUR 79.4 million,
- for investments in exhaust gas cleaning systems (EGCS) on container ships amounting to EUR 51.8 million and
- for investments in conversion to the use of liquid gas amounting to EUR 18.5 million.

The Group's other financial obligations as of 31 December 2018 related to purchase obligations for investments in containers amounting to EUR 33.4 million and for investments in exhaust gas cleaning systems (EGCS) on container ships amounting to EUR 11.2 million.

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 2018. The contractual relationships with related parties described in the remuneration report from page 127 onwards of the 2018 annual report remain essentially unchanged, but are not of material importance to the Group.

SIGNIFICANT TRANSACTIONS AFTER THE BALANCE SHEET DATE

As of 25 April 2019, a so-called Japanese operating leases transaction was carried out for one vessel. The economic substance of the transaction is a credit financing secured by a ship-mortgage and assignments of rights. The refinancing volume associated with these transaction totaled USD 95.8 million (EUR 86.1 million). The loan liability of USD 64.0 million (EUR 57.5 million) previously associated with the ship has been repaid in full.

Hamburg, 8 May 2019

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Nicolás Burr | Anthony J. Firmin | Joachim Schlotfeldt

FINANCIAL CALENDAR 2019

12 JUNE 2019
Annual General Meeting

7 AUGUST 2019
Halfyear Financial Report 2019

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

IMPRINT

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